

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10

**GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Grayscale Horizen Trust (ZEN)

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

83-6217411
(U.S. Taxpayer
Identification No.)

290 Harbor Drive, 4th Floor
Stamford, Connecticut
(Address of Principal Executive Offices)

06902
(Zip Code)

(212) 668-1427

(Registrant's telephone number, including area code)

Copies to:

Joseph A. Hall
Hillary A. Coleman
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017

Securities to be registered pursuant to Section 12(b) of the Act: None

Securities to be registered pursuant to Section 12(g) of the Act: Grayscale Horizen Trust (ZEN) Shares

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☒

EXPLANATORY NOTE

Grayscale Horizen Trust (ZEN) (the “Trust”) is voluntarily filing this Registration of Securities on Form 10, or this “Registration Statement,” to register its common units of fractional undivided beneficial interest (“Shares”) pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Once this Registration Statement becomes effective, the Trust will be subject to the requirements of Regulation 13A under the Exchange Act, which will require it to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and to comply with all other obligations of the Exchange Act applicable to issuers filing Registration Statements pursuant to Section 12(g) of the Exchange Act.

INFORMATION REQUIRED IN REGISTRATION STATEMENT CROSS REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10

We have filed our Information Statement as Exhibit 99.1 to this Form 10. For your convenience, we have provided below a cross-reference sheet identifying where the items required by Form 10 can be found in our Information Statement. None of the information contained in the Information Statement shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference.

Item No.	Item Caption	Location in Information Statement
1.	Business.	The following sections of our Information Statement are hereby incorporated by reference: “Forward-Looking Statements,” “Determination of NAV,” “Overview,” “Risk Factors,” “Overview of Horizen,” “Activities of the Trust,” “Description of the Trust,” “The Sponsor,” “The Trustee,” “The Transfer Agent,” “The Authorized Participant,” “The Custodian,” “The Distributor and Marketer,” “Custody of the Trust’s ZEN,” “Description of Creation of Shares,” “Valuation of ZEN and Determination of Digital Asset Holdings,” “Expenses; Sales of ZEN,” “Statements, Filings and Reports,” “Description of Trust Documents” and “Where You Can Find More Information.”
1A.	Risk Factors.	The following sections of our Information Statement are hereby incorporated by reference: “Forward-Looking Statements” and “Risk Factors.”
2.	Financial Information.	The following sections of our Information Statement are hereby incorporated by reference: “Determination of NAV,” “Overview,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Valuation of ZEN and Determination of Digital Asset Holdings,” and “Index to Financial Statements” and the statements referenced therein.
3.	Properties.	None.
4.	Security Ownership of Certain Beneficial Owners and Management.	The following section of our Information Statement is hereby incorporated by reference: “Conflicts of Interest.”
5.	Directors and Executive Officers.	The following sections of our Information Statement are hereby incorporated by reference: “The Sponsor.”
6.	Executive Compensation.	The following sections of our Information Statement are hereby incorporated by reference: “Expenses; Sales of ZEN.”

Item No.	Item Caption	Location in Information Statement
7.	Certain Relationships and Related Transactions, and Director Independence.	The following sections of our Information Statement are hereby incorporated by reference: “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Transactions with Related Parties,” “The Sponsor” and “Conflicts of Interest.”
8.	Legal Proceedings.	None.
9.	Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters.	The following sections of our Information Statement are hereby incorporated by reference: “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
10.	Recent Sales of Unregistered Securities.	The following sections of our Information Statement are hereby incorporated by reference: “Description of the Shares.”
11.	Description of Registrant’s Securities to be Registered.	The following sections of our Information Statement are hereby incorporated by reference: “Description of the Shares,” “Description of Creation of Shares” and “Description of Trust Documents.”
12.	Indemnification of Directors and Officers.	The following section of our Information Statement is hereby incorporated by reference: “Description of Trust Documents.”
13.	Financial Statements and Supplementary Data.	The following section of our Information Statement is hereby incorporated by reference: “Index to Financial Statements” and the statements referenced therein.
14.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	Not Applicable.
15.	Financial Statements and Exhibits.	The following sections of our Information Statement are hereby incorporated by reference: “Index to Financial Statements” and the statements referenced therein.

(a) List of Financial Statements and Schedules: The following financial statements are included in the Information Statement and filed as part of this Registration Statement on Form 10:

Grayscale Horizen Trust (ZEN) Unaudited Interim Financial Statements

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Schedules of Investment at December 31, 2021 and September 30, 2021	F-3
Statements of Operations for the three months ended December 31, 2021 and 2020	F-4
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Grayscale Horizen Trust (ZEN) Annual Financial Statements

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(b) Exhibits. The following documents are filed as exhibits hereto:

Exhibit Number	Exhibit Description
4.1	Amended and Restated Declaration of Trust and Trust Agreement
4.2	Amendment No. 1 to the Amended and Restated Declaration of Trust and Trust Agreement
4.3*	Amendment No. 2 to the Amended and Restated Declaration of Trust and Trust Agreement
4.4	Certificate of Amendment to Certificate of Trust (attached as Exhibit A to Amendment No. 1 to the Amended and Restated Declaration of Trust and Trust Agreement)
4.5	Form of Participant Agreement
10.1†	Custodian Agreement
10.2	Distribution and Marketing Agreement
10.3†	Reference Rate License Agreement
10.4	Transfer Agency and Service Agreement
99.1	Information Statement

* To be filed by amendment.

† Portions of this exhibit (indicated by asterisks) have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted information would likely cause competitive harm to the Registrant if publicly disclosed.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Grayscale Investments, LLC
as Sponsor of Grayscale Horizen Trust (ZEN)

By: /s/ Michael Sonnenshein

Name: Michael Sonnenshein

Title: Chief Executive Officer*

Date: May 4, 2022

- * The Registrant is a trust and the signatory is signing in his capacity as officer of Grayscale Investments, LLC, the Sponsor of the Registrant.

**AMENDED AND RESTATED
DECLARATION OF TRUST
AND
TRUST AGREEMENT
OF
ZEN INVESTMENT TRUST**

Dated as of August 6, 2018

By and Among

GRAYSCALE INVESTMENTS, LLC

DELAWARE TRUST COMPANY

and

THE SHAREHOLDERS

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ZEN INVESTMENT TRUST
AMENDED AND RESTATED
DECLARATION OF TRUST
AND TRUST AGREEMENT

This **AMENDED AND RESTATED DECLARATION OF TRUST AND TRUST AGREEMENT** of **ZEN INVESTMENT TRUST** is made and entered into as of the 6th day of August, 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 Declaration of Trust and Trust Agreement dated as of July 3, 2018 (the “**Existing Agreement**”);

WHEREAS, the Sponsor initially contributed \$1 to the Trust, constituting the initial trust estate;

WHEREAS, concurrent with the initial issuance of Shares (as defined below), the Trust will distribute the aforementioned \$1 to the Sponsor in complete redemption of the Sponsor’s beneficial interest in the Trust; and

WHEREAS, the Sponsor and the Trustee wish to amend the Existing Agreement pursuant to Section 8 thereof, including amending the name of the Trust to Zen Investment Trust.

NOW, THEREFORE, pursuant to Section 8 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 ZEN Amount” means, on any Trade Date, the number of ZEN required as of such Trade Date for each Creation Basket or Redemption Basket, as determined by dividing (x) the number of ZEN owned by the Trust at 4:00 p.m., New York time, on such Trade Date, after deducting the number of ZEN 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 ZEN 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 ZEN (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 ZEN 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.

“**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 ZEN 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, a ZEN 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 ZEN 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 ZEN to the ZEN 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 ZEN in an amount equal to the Basket ZEN 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 ZEN Amount” means, with respect to any Creation Order or Redemption Order, the applicable Basket ZEN 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 ZEN 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 Zen 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 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 ZEN in the Trust’s accounts, including the ZEN 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 ZEN, 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.

“**ZenCash Network**” means the online, end-user-to-end-user network hosting the global transaction ledger, known as a blockchain, and the source code comprising the basis for the cryptographic and algorithmic protocols governing the ZenCash network.

“**ZEN**” means ZenCash, a type of virtual currency based on an open source cryptographic protocol existing on the ZenCash Network as determined by the Sponsor in accordance with Section 6.2(m), and the assets underlying the Trust’s Shares.

“**ZEN Account**” means an account holding the Trust’s ZEN, 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 ZEN accounts that hold the Trust’s ZEN.

“**ZEN Benchmark Exchanges**” means, at any time, the ZEN exchanges that represent at least 10% of the aggregate trading volume of the ZEN market during the last thirty (30) consecutive calendar days.

“**ZEN 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.

“**ZEN Holdings Fee Basis Amount**” has the meaning assigned thereto in Section 8.4.

“**ZEN Index Price**” has the meaning ascribed to such term in the Memorandum.

SECTION 1.2 *Name*. The name of the Trust is “Zen 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. The Trustee is hereby authorized and directed to execute and file with the Secretary of State of the State of Delaware, a certificate of amendment to certificate of trust in the form attached hereto as Exhibit A, in order to effect the change of the name of the Trust to Zen Investment 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*. (a) The purposes of the Trust shall be to accept ZEN for subscriptions of Shares in accordance with Article III hereof, to hold ZEN, Incidental Rights and IR Virtual Currency, to distribute ZEN (or cash from the sale of ZEN) upon redemptions of Shares in accordance with Article V hereof (if authorized in accordance with Section 5.1 hereof) and to distribute ZEN, 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 ZEN, 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 ZEN (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 ZEN (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 Persons Other than Participants.*

On any Business Day, the Trust may create and issue Creation Baskets to any Person that has signed a Purchase Agreement with the Trust in exchange for a transfer of the Total Basket ZEN Amount into the Trust's ZEN 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 ZEN 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 ZEN Amount at any time.

(v) Transfers of ZEN 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 ZEN, until such ZEN 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 ZEN Amount to the ZEN Account, the Sponsor or its delegate shall (A) if applicable and instructing the Security Vendors as necessary, transfer the Total ZEN Basket Amount to the appropriate sub-account of the ZEN 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 ZEN 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 ZEN, 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 ZEN equal to the Total Basket ZEN Amount.

- (v) The Sponsor or its delegate has final determination of all questions as to the determination of the Total Basket ZEN Amount at any time.
- (vi) The Total Basket ZEN Amount shall be delivered only to a Participant Self-Administered Account or a Liquidity Provider Account.
- (vii) The Total Basket ZEN 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 ZenCash Network, is generally accepted as ZEN and should therefore be considered “ZEN” 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 ZEN, 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 3.3(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 ZEN upon the issuance of Shares;

(b) Hold any property other than (i) ZEN, Incidental Rights and IR Virtual Currency, (ii) cash from the sale of ZEN, 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 ZEN, 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 (including 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 ZEN 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 ZEN (except as provided in Section 6.8(a)(iv)), which shall accrue daily in U.S. Dollars at an annual rate of 2.5% of the ZEN 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 ZEN Holdings Fee Basis Amount from the most recent Business Day, reduced by the accrued and unpaid Sponsor’s Fee for such most recent Business Day and for each day after such most recent Business Day and prior to the relevant calculation date. The amount of ZEN payable in respect of each daily U.S. Dollar accrual shall be determined by reference to the same ZEN 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), to cause the Trust to pay the Sponsor’s Fee, the Sponsor shall, instructing the Security Vendors as necessary, withdraw from the ZEN Account the number of ZEN equal to the accrued but unpaid Sponsor’s Fee and transfer such ZEN to the Sponsor’s account at such times as the Sponsor determines in its absolute discretion.

(iii) The Shareholders acknowledge that (x) after the payment of the Sponsor's Fee to the Sponsor, the Sponsor may elect to convert the ZEN it receives into U.S. Dollars and (y) the rate at which the Sponsor converts such ZEN to U.S. Dollars may differ from the rate at which the Sponsor's Fee was initially converted into ZEN. The Trust shall not be responsible for any fees and expenses incurred by the Sponsor to convert ZEN 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 ZEN 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**"), *provided* that any expense that qualifies as an Additional Trust Expense as set forth in Section 6.8(b) shall be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

(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 ZEN Account ZEN 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 ZEN into U.S. Dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Trust (or its delegate) to deliver such ZEN 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 ZEN 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 3.6 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 ZEN Holdings.* The Sponsor or its delegate shall calculate and publish the Trust's ZEN 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 ZEN Holdings, the Sponsor shall:

1. Determine the ZEN Index Price as of such Business Day;
2. Multiply the ZEN Index Price by the Trust's aggregate number of ZEN owned by the Trust as of 4:00 p.m., New York time, on the immediately preceding day, less the aggregate number of ZEN 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 ZEN, calculated using the ZEN Index Price, receivable under pending Creation Orders, if any, determined by multiplying the number of Creation Baskets represented by such Creation Orders by the Basket ZEN Amount and then multiplying such product by the ZEN 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 ZEN, calculated using the ZEN 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 ZEN Amount and then multiplying such product by the ZEN Index Price (the amount derived from steps 1 through 5 above, the "**ZEN 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 ZEN 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 ZEN Index Price is not an appropriate basis for valuation of the Trust's ZEN, 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 ZEN 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 October and end on the 30th day of September 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 ZEN 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 ZEN Index Price;

(iii) any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust's reasonable efforts to convert ZEN 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 ZEN 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

Zen 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 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/ Samantha McDonald
Name: Samantha McDonald
Title: VP Finance

DIGITAL CURRENCY GROUP, INC.,
solely with respect to Section 2.4

By: /s/ Barry Silbert
Name: Barry Silbert
Title: CEO

[Signature Page]

EXHIBIT A

FORM OF CERTIFICATE OF TRUST

A-1

**CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF TRUST
OF
ZENCASH INVESTMENT TRUST**

This Certificate of Amendment to the Certificate of Trust of ZenCash Investment Trust (the “Trust”) is being duly executed and filed on behalf of the Trust by the undersigned, as trustee, to amend the original Certificate of Trust (the “Certificate of Trust”) of a statutory trust formed under the Delaware Statutory Trust Act (12 Del. C. § 3801 et seq.) (the “Act”).

1. Name. The name of the statutory trust amended hereby is ZenCash Investment Trust.
2. Amendment of Certificate. The Certificate of Trust of the Trust is hereby amended by changing the name of the Trust to Zen Investment Trust.
3. Effective Date. This Certificate of Amendment shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Amendment in accordance with Section 3811(a)(2) of the Act.

DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee of the Trust

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

EXHIBIT B

FORM OF PARTICIPANT AGREEMENT

B-1

**AMENDMENT NO. 1 TO
THE AMENDED AND RESTATED
DECLARATION OF TRUS
T AND TRUST AGREEMENT**

This **AMENDMENT NO. 1 (THE “AMENDMENT”) TO THE AMENDED AND RESTATED DECLARATION OF TRUST AND TRUST AGREEMENT** of **ZEN INVESTMENT TRUST** is made and entered into as of the 11th day of January, 2019, 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 August 6, 2018 (the “**Trust Agreement**”);

WHEREAS, Section 10.1 of the Trust Agreement provides that the Sponsor and the Trustee may amend the Trust Agreement without the consent of the Shareholders, subject to certain exceptions; and

WHEREAS, the Sponsor and the Trustee wish to amend the Trust Agreement pursuant to Section 10.1 thereof, to amend the name of the Trust to Grayscale Horizen Trust (ZEN), with such amendment to be effective immediately as of the date hereof.

NOW, THEREFORE, pursuant to Section 10.1 of the Trust Agreement, the Trustee and the Sponsor hereby amend the Trust Agreement as set forth below.

ARTICLE I

AMENDMENTS

SECTION 1.1 *Amendments*. The Trust Agreement is hereby amended as follows:

(a) Section 1.2 of the Trust Agreement is hereby amended and restated in its entirety to read as follows:

The name of the Trust is “Grayscale Horizen Trust (ZEN)” 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.

- (b) As used in the Trust Agreement, all references to “Zen Investment Trust” are hereby amended to refer to “Grayscale Horizen Trust (ZEN).”
- (c) Section 13.6 of the Trust Agreement is hereby amended by replacing the address set forth for delivery of notices to the Trust and Sponsor as follows:

if to the Trust, at

Grayscale Horizen Trust (ZEN)
250 Park Avenue South
New York, New York 10003
Attention: Grayscale Investments, LLC

if to the Sponsor, at

Grayscale Investments, LLC
250 Park Avenue South
New York, New York 10003
Attention: Michael Sonnenshein

- (d) Section 13.12 of the Trust Agreement is hereby amended and restated in its entirety to read as follows:

This Trust Agreement and the Amendment constitute the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

- (e) The form of Certificate of Trust of the Trust attached in the Trust Agreement as Exhibit A is replaced in its entirety with the Form of Certificate of Amendment to Certificate of Trust for the Trust attached hereto as Exhibit A.

ARTICLE II

MISCELLANEOUS

SECTION 2.1 *Governing Law*. The validity and construction of this Amendment 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.

SECTION 2.2 *Provisions In Conflict With Law or Regulations*. The provisions of this Amendment 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 Amendment, even without any amendment of this Amendment pursuant to this Amendment; *provided, however*, that such determination by the Sponsor shall not affect or impair any of the remaining provisions of this Amendment or the 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 Amendment 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 Amendment in any jurisdiction.

SECTION 2.3 *Construction*. In this Amendment, 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 Amendment.

SECTION 2.4 *Counterparts; Electronic Signatures*. This Amendment 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 Amendment, 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 2.5 *Defined Terms*. For purposes of this Amendment, any capitalized terms used and not defined herein shall have the same respective meanings as assigned to them in the Trust Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment No. 1 to the 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

[Signature Page to Amendment No. 1 to the Trust Agreement - ZEN]

EXHIBIT A

**FORM OF CERTIFICATE OF AMENDMENT TO CERTIFICATE OF TRUST FOR
THE TRUST**

**CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF TRUST
OF
ZEN INVESTMENT TRUST**

This Certificate of Amendment to the Certificate of Trust of Zen Investment Trust (the “Trust”) is being duly executed and filed on behalf of the Trust by the undersigned, as trustee, to amend the Certificate of Trust (the “Certificate of Trust”) of a statutory trust formed under the Delaware Statutory Trust Act (12 Del. C. § 3801 et seq.) (the “Act”).

1. Name. The name of the statutory trust amended hereby is Zen Investment Trust.

2. Amendment of Certificate. The Certificate of Trust of the Trust is hereby amended by changing the name of the Trust to Grayscale Horizen Trust (ZEN).

3. Effective Date. This Certificate of Amendment shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Amendment in accordance with Section 3811(a)(2) of the Act.

DELAWARE TRUST COMPANY, not in its individual
capacity but solely as Trustee of the Trust

By: _____
Name:
Title:

MASTER PARTICIPANT AGREEMENT

This Master Participant Agreement (this “**Agreement**”), dated as of January 11, 2019, is entered into by and among Genesis Global Trading, Inc. (the “**Authorized Participant**”), and Grayscale Investments, LLC, a Delaware limited liability company, as sponsor (the “**Sponsor**”) of each Trust listed on Schedule I to this Agreement (each, a “**Trust**” and, collectively, the “**Trusts**”).

SUMMARY

As provided in the trust agreement governing each Trust (each, a “**Trust Agreement**”), as currently in effect and described in the Confidential Private Placement Memorandum of each Trust (each, a “**Memorandum**”), common units of fractional undivided beneficial interest in a Trust (“**Shares**”) may be created or, if authorized by the Sponsor, redeemed by such Trust, in aggregations of 100 Shares (each aggregation, a “**Basket**”), and integral multiples thereof, and only in transactions with a party who, at the time of the transaction, shall have signed and entered into an effective Participant Agreement with such Trust. Baskets of a Trust are offered only pursuant to the relevant Memorandum, as the same may be amended from time to time thereafter, or any successor Memorandum in respect of Shares of such Trust. Under each Trust Agreement, the Sponsor is authorized to issue Baskets, or delegate authority to issue Baskets, to, and, if redemptions are authorized by the Sponsor, accept redemptions of Baskets from, Authorized Participants. The Authorized Participant may purchase Baskets of a Trust for its own account or as agent for investors who have entered into a subscription agreement (the “**Subscription Agreement**”) relating to such Trust with the Authorized Participant (each such investor, an “**Investor**”), but it does not have any obligation or responsibility to the Sponsor or any Trust to affect any sale or resale of Shares. This Agreement sets forth the specific procedures by which an Authorized Participant may create or redeem Baskets of a Trust.

Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in each Trust Agreement. To the extent there is a conflict between any provision of this Agreement and the provisions of a Trust Agreement, the provisions of such Trust Agreement shall control, and to the extent there is a conflict between any provision of this Agreement and the provisions of a Memorandum, such Memorandum shall control; *provided, however*, that if there is a conflict between the Procedures (defined below) and any provision of a Trust Agreement (other than Section 1.5 and Section 6.4(m) of such Trust Agreement) or a Memorandum, the Procedures shall control; and *provided, further*, that in the event of any conflict between Section 1.5 and Section 6.4(m) of such Trust Agreement and any of the provisions of this Agreement, the corresponding Memorandum or the Procedures, Section 1.5 and Section 6.4(m) of such Trust Agreement shall control. For the avoidance of doubt, any action which is referred to herein as an action being taken by the Sponsor may be taken by a party whom the Sponsor has duly authorized to take such action. Additionally, any amendments to the Procedures will not require any amendments to any Trust Agreement.

To give effect to the foregoing premises and in consideration of the mutual covenants and agreements set forth below, the parties hereto agree as follows:

Section 1. Order Placement. To place orders to create or, if authorized by the Sponsor, redeem, one or more Baskets of a Trust, the Authorized Participant must follow the procedures for creation and redemption referred to in Section 3 of this Agreement and the procedures described in Annex A hereto (the “**Procedures**”), as each may be amended, modified or supplemented from time to time.

Section 2. Representations, Warranties and Covenants of Authorized Participant. The Authorized Participant represents and warrants and covenants the following:

(a) The Authorized Participant is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (“**1934 Act**”), and is a member in good standing of the Financial Industry Regulatory Authority, Inc. (“**FINRA**”). The Authorized Participant will maintain any such registrations, qualifications and membership in good standing, or, if applicable, exempt status, in full force and effect throughout the term of this Agreement. The Authorized Participant will comply with all applicable United States federal laws, the laws of the states or other jurisdictions concerned, and the rules and regulations promulgated thereunder, and with the Constitution, By-Laws and Conduct Rules of FINRA and shall not offer or sell Shares in any state or jurisdiction where they may not lawfully be offered and/or sold.

(b) The Authorized Participant shall act in a manner consistent with the instructions of any Trust and materially comply with all applicable laws, including, without limitation, securities laws of each jurisdiction in which the Authorized Participant proposes to carry on the business contemplated by this Agreement. Without limitation on the foregoing, the Authorized Participant shall not knowingly take any action or omit to take any action that would cause the Authorized Participant, any Trust or the Sponsor to be in violation of, or to lose any applicable exemption from registration under the Securities Act, the 1934 Act, and the rules and regulations promulgated thereunder, the Investment Company Act or the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), and the rules and regulations promulgated thereunder. The Authorized Participant represents and warrants that it has sufficient familiarity with the Securities Act, the 1934 Act, the Investment Company Act, and the Advisers Act to carry out its duties under this Agreement in compliance with the preceding sentence. The Authorized Participant’s responsibility to each Trust is solely contractual in nature, the Authorized Participant has been retained solely to act as a placement agent and no fiduciary, advisory or agency relationship between any Trust and the Authorized Participant has been created.

(c) The Authorized Participant hereby represents, covenants and warrants that it maintains a wallet or wallets from a reputable digital asset wallet software provider, or with a third party provider of digital asset wallets, for the digital assets held by each Trust. If there is any change in the foregoing, the Authorized Participant shall give immediate notice to the Sponsor of such event.

(d) The Authorized Participant understands and acknowledges that some activities on its part, depending on the circumstances and under certain possible interpretations of applicable law, could be interpreted as resulting in (i) its being deemed a “money services business” by the Financial Crimes Enforcement Network, a bureau of the United States Department of Treasury and/or (ii) a money transmitter or entity engaged in virtual currency business activity under state law. The Authorized Participant agrees to consult its own counsel in connection with entering into this Agreement and transacting in digital assets.

(e) The Authorized Participant is in compliance with the money laundering and related provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “**USA PATRIOT Act**”), and the regulations promulgated thereunder, if the Authorized Participant is subject to the requirements of the USA PATRIOT Act.

(f) The Authorized Participant shall act in a manner consistent with all applicable laws concerning money laundering and similar activities. In furtherance of such efforts, the Authorized Participant shall not mention or send any materials related to a Trust to any prospective investor, unless, to the Authorized Participant’s knowledge, on the basis of the Authorized Participant’s prior relationship with the prospective investor: (i) none of the digital assets, cash or property that would be paid to the Authorized Participant in connection with an investment in such Trust, would be derived from, or related to, any activity that is deemed criminal under the United States law or any other applicable law, including anti-corruption laws, anti-bribery laws, OFAC regulations or otherwise; and (ii) no contribution or payment to the Authorized Participant in connection with an investment in such Trust by such prospective investor would cause such Trust or the Sponsor to be in violation of the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986 or the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001.

(g) The Authorized Participant hereby represents and warrants to each Trust that the Authorized Participant: (i) has exercised reasonable care to identify each covered person of each Trust set forth in paragraph (d)(1) of Rule 506 of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”), that is an officer of the Authorized Participant participating in the offering of the securities that is the subject of this Agreement or a financial advisor or registered representative/agent soliciting investors in connection with such offering; (ii) has exercised reasonable care to ascertain whether (A) a disqualification exists under clauses (i) through (viii) of paragraph (d)(1) of such Rule 506 with respect to each such covered person, as well as the Authorized Participant’s general partners, managing members, or directors, and executive officers, as applicable, and (B) whether any disclosure is required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such person; and (iii) does not know of (A) any disqualification that exists under paragraph (d)(1) of such Rule 506 in respect of any such person or (B) of any disclosure required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such person. The Authorized Participant further represents and warrants to each Trust that the Authorized Participant shall, within a reasonable time, implement policies, procedures

and controls reasonably designed to detect the occurrence of any event that could reasonably be expected to lead to any disqualification under paragraph (d)(1) of Rule 506 in respect of any such covered person. The Authorized Participant covenants to each Trust that the Authorized Participant will inform such Trust as promptly as reasonably practical of the occurrence of any event in respect of any covered person of such Trust that could reasonably be expected to give rise to a disqualification under such paragraph, including any pending or threatened litigation or regulatory actions, as well as the occurrence of any event that does, in fact, give rise to a disqualification under paragraph (d)(1) of Rule 506.

(h) The Authorized Participant hereby confirms to each Trust that the Authorized Participant, prior to submission of any order to create one or more Baskets of such Trust, will have taken reasonable steps to verify that any Investor for whom the Authorized Participant is acting as agent in connection with such Creation Order is an “accredited investor” within the meaning of Rule 501(a) of Regulation D under the Securities Act, and will have determined that such Investor is an “accredited investor” within the meaning of such Rule 501(a). Each submission of a Creation Order by the Authorized Participant shall be deemed to bring down this representation to such date and to make such representation on and as of such date with respect to each such Investor on behalf of which the Authorized Participant is placing such Creation Order. The Authorized Participant understands that the Shares of each Trust are being offered by means of a general solicitation or general advertising, that each Trust relies upon Rule 506(c) of Regulation D under the Securities Act for exemption from the registration requirements of the Securities Act for offerings not subject to limitation on the manner of offering, and that each Trust is relying on the foregoing representations from the Authorized Participant for exemption from the registration requirements of the Securities Act in respect of the Shares of such Trust being created in any creation transaction by the Authorized Participant.

(i) The Authorized Participant hereby represents, covenants and warrants that it has all requisite authority, whether arising under applicable federal or state law, the rules and regulations of any self-regulatory organization to which it is subject, or its certificate of incorporation, formation or limited liability company operating agreement or other organizational document, as the case may be, to enter into this Agreement and to discharge the duties and obligations apportioned to it in accordance with the terms hereof.

(j) The Authorized Participant hereby represents, covenants and warrants that there are no actions, grievances, proceedings (including, without limitation, arbitration proceedings), orders, inquiries or claims pending, or to the Authorized Participant’s knowledge, threatened against or affecting it or any broker or employee (in his or her capacity as such) by the Securities and Exchange Commission, FINRA or any other self-regulatory organization that would affect the Authorized Participant’s ability to fulfill its obligations hereunder.

(k) The Authorized Participant hereby represents, covenants and warrants that each Investor in a Trust shall be required in its Subscription Agreement to make the usual and customary representations made in private placements undertaken pursuant to Rule 506 of Regulation D, including:

1. that they have had an opportunity at a reasonable time prior the date that a Creation Order is processed to ask questions and receive answers concerning the terms and conditions of the offering of Shares of such Trust and to obtain any additional information which the Authorized Participant possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of the information in such Trust's Memorandum; and
2. that they understand that the Shares of such Trust are "restricted securities" that cannot be resold without registration under the Securities Act and state securities laws or exemption therefrom, and that they are purchasing the securities for investment purposes only and not with a view to resale.

(l) The Authorized Participant understands and agrees that the submission of a Creation Order also will be deemed to bring down representations made by the Authorized Participant in this Agreement that no general partner, managing member, director, executive officer or other officer of the Authorized Participant participating in the offering of the Shares of any Trust has experienced any disqualifying event set forth in clauses (d)(1)(i) through (d)(1)(viii) of Rule 506 of Regulation D.

(m) The Authorized Participant understands that the Sponsor intends to restrict the aggregate investment by "benefit plan investors" (as defined in the Memorandum) in each Trust to under 25% of the total value of each class of equity interests of each Trust to ensure that the assets of each Trust will not be deemed to be "plan assets" for purposes of the "Plan Asset Regulations" set forth at 29 C.F.R. 2510.3-101 and the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended. Accordingly, the Authorized Participant represents covenants and agrees that (1) the Authorized Participant is not a "benefit plan investor" (as that term is defined in the Plan Asset Regulations) and (2) that it has ascertained, through the Subscription Agreement, and communicated to the Sponsor and the relevant Trust, whether any Investor in such Trust is a benefit plan investor.

(n) The Authorized Participant represents and warrants that it will not place a Redemption Order (as defined in the Procedures) for the purpose of, if redemption of Baskets of a Trust is permitted, redeeming Baskets of such Trust unless it first ascertains that (i) it or the relevant Investor, as the case may be, owns outright or has full legal authority and legal and beneficial right to tender for redemption the Baskets to be redeemed and to receive the Total Basket Amount (as defined in the Procedures) associated with such redemption and (ii) such Baskets have not been loaned or pledged to another party and are not the subject of any arrangement which would preclude the unfettered delivery of such Baskets to the Sponsor as required pursuant to the Procedures.

(o) The Authorized Participant represents and warrants that prior to submitting a Redemption Order to the Sponsor or its delegate, the Authorized Participant will first ascertain (i) that the digital asset wallet to be used in connection with the Redemption Order is owned outright by the Authorized Participant or it has full legal authority and legal and beneficial right to any digital assets transferred to such digital asset wallet address and (ii) that the relevant Authorized Participant Self-Administered Account is appropriately designated for delivery of digital assets in the Total Basket Amount by the relevant Trust.

Section 3. Orders. (a) All orders to create or redeem Baskets of a Trust shall be made in accordance with the terms of the relevant Trust Agreement, this Agreement and the Procedures. Each party shall comply with such foregoing terms and procedures to the extent applicable to it. The Sponsor may issue procedures from time to time relating to the manner of creating or redeeming Baskets of a Trust which are not related to the Procedures, and the Authorized Participant shall comply with such procedures of which it has been notified in accordance with this Agreement.

(b) The Authorized Participant acknowledges and agrees on behalf of itself and any party for which it is acting (whether such party is an Investor or otherwise) that each order to create one or more Baskets (a “**Creation Order**”) and each order to redeem one or more Baskets (a “**Redemption Order**”, and any Redemption Order or Creation Order, an “**Order**”) of a Trust may not be revoked by the Authorized Participant upon its delivery to the Sponsor or its delegate. A form of Creation Order Form is attached hereto as Exhibit B and a form of Redemption Order Form is attached hereto as Exhibit C.

(c) The Sponsor or its delegate shall have the absolute right, but shall have no obligation, to reject any Creation Order or Total Basket Amount if (i) the Creation Order is not in proper form as described herein, (ii) the Creation Order would cause participation by benefit plan investors in the relevant Trust to be “significant” (as that term is defined in the Plan Asset Regulations), (iii) circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible for the relevant Trust to issue Creation Baskets, (iv) the fulfillment of the Creation Order, in the opinion of counsel, might be unlawful, (v) any such action is deemed necessary or advisable by the Sponsor or its delegate or (vi) for any reason at any time or from time to time. The Sponsor or its delegates shall not be liable to any person by reason of the rejection of any Creation Order or Total Basket Amount.

(d) The Sponsor or its delegate shall have the absolute right, but shall have no obligation, to reject any Redemption Order or Redemption Baskets if (i) the Redemption Order is not in proper form as described herein, (ii) the Redemption Order would cause participation by benefit plan investors in the relevant Trust to be “significant” (as that term is defined in the Plan Asset Regulations), (iii) circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible the relevant Trust to redeem Redemption Baskets, (iv) the fulfillment of the Redemption Order, in the opinion of counsel, might be unlawful, (v) any such action is deemed necessary or advisable by the Sponsor or its delegate or (vi) for any reason at any time or from time to time. The Sponsor or its delegates shall not be liable to any person by reason of the rejection of any Redemption Order or Redemption Baskets.

(e) The creation and, if permitted, redemption of Shares of a Trust may be suspended generally, or refused with respect to a particular Creation Order or Redemption Order relating to such Trust, during any period during which the transfer books of the Transfer Agent (as defined in the relevant Trust Agreement) are closed or if circumstances outside the control of the Sponsor or its delegate make it for all practicable purposes not feasible to process such Orders. None of the Sponsor or its delegates shall be liable for the suspension or rejection of any Order.

Section 4. Authorized Persons. Concurrently with the execution of this Agreement and from time to time thereafter, the Authorized Participant shall deliver to the Sponsor or its delegate notarized and duly certified as appropriate by its secretary or other duly authorized official, a certificate in the form of Exhibit A setting forth (i) the names and signatures of all persons authorized to give instructions relating to activity contemplated hereby or by any other notice, request or instruction given on behalf of the Authorized Participant (each, an “**Authorized Person**”) and (ii) one or more email addresses from which notices regarding a Creation Order or Redemption Order will be generated and to which notices regarding a Creation Order or Redemption Order can be sent (a “**Participant email**”). The Sponsor or its delegate may accept and rely upon such certificate as conclusive evidence of the facts set forth therein and shall consider such certificate to be in full force and effect until the Sponsor or its delegate receives a superseding certificate bearing a subsequent date. Upon the elimination of any of the Participant emails, the Authorized Participant shall give immediate written notice of such fact to the Sponsor or its delegate and such notice shall be effective upon receipt by the Sponsor or its delegate. Upon the termination or revocation of authority of any Authorized Person by the Authorized Participant, the Authorized Participant shall give immediate written notice of such fact to the Sponsor or its delegate and such notice shall be effective upon receipt by the Sponsor or its delegate.

Section 5. Role of Authorized Participant. (a) The Authorized Participant acknowledges that, for all purposes of this Agreement and each Trust Agreement, the Authorized Participant is and shall be deemed to be an independent contractor, and not an employee, director, officer, constituent partner, manager, member or affiliate of any Trust. The Authorized Participant has no authority to represent that it or any person affiliated with it is anything other than an independent contractor of each Trust, and such representation, if made, shall not bind any Trust or any affiliate thereof, and must not be relied upon by any person. The Authorized Participant, in its capacity as Authorized Participant, agrees that neither it nor any of its affiliates is authorized to make any representation concerning any Trust.

(b) The Authorized Participant shall make itself and its employees available, upon request, during normal business hours to consult with the Sponsor or its designees concerning the performance of the Authorized Participant’s responsibilities under this Agreement.

(c) The Authorized Participant acknowledges that each submission of a Creation Order by the Authorized Participant shall be deemed to bring down the representations made in Section 2 above to such date.

(d) The Authorized Participant acknowledges that it has obtained a copy of each Trust's Memorandum.

Section 6. Digital Asset Transactions. EACH OF THE PARTIES HERETO ACKNOWLEDGES AND AGREES THAT DIGITAL ASSET TRANSFERS MAY BE IRREVERSIBLE.

(a) The digital asset wallet addresses that (i) are known to the Sponsor or its delegates or to any security vendor or vendors of a Trust (the "**Security Vendors**"), as specified in the Procedures and (ii) are currently active at the time of a creation or redemption transaction with a Trust are each an Authorized Participant self-administered account (each, an "**Authorized Participant Self-Administered Account**"). The Authorized Participant shall provide the Sponsor or its delegates with one or more Authorized Participant Self-Administered Accounts. If the Authorized Participant becomes unable to continue to provide any Trust with at least one Authorized Participant Self-Administered Account, the Authorized Participant shall give immediate notice to the Sponsor of such event.

(b) Any digital assets to be transferred in connection with any Creation Order or Redemption Order shall be transferred between an Authorized Participant Self-Administered Account and the account or accounts holding the relevant Trust's digital assets (each, a "**Digital Asset Account**"; each Digital Asset Account and Authorized Participant Self-Administered Account, an "**Account**") in accordance with the Procedures.

(c) Each of the parties hereto acknowledges and agrees that (i) it has the computer hardware, software and technological knowhow required to transact in digital assets; (ii) it is responsible for confirming the accuracy of any Account it is provided and that it provides in connection with any Creation Order or Redemption Order pursuant to this Agreement; and (iii) it is responsible for and bears the risk of loss for all digital assets transferred from an Account it owns to an Account owned by another party hereto.

(d) Authorized Participants will receive no other fees, commissions or other form of compensation or inducement of any kind from the Sponsor or any Trust in connection with a Creation Orders and Redemption Orders, and Authorized Participants will receive no Fee in connection with any subscription amount paid to the relevant Authorized Participant in digital assets.

Section 7. Indemnification.

(a) The Authorized Participant hereby indemnifies and holds harmless each Trust and the Sponsor, their respective direct or indirect affiliates and their respective directors, trustees, sponsors, partners, members, managers, officers, employees and agents (each, an “**AP Indemnified Party**”) from and against any losses, liabilities, damages, costs and expenses (including reasonable attorneys’ fees and the reasonable cost of investigation, including reasonable costs involved in defending itself in connection with an investigation) incurred by such AP Indemnified Party as a result of or in connection with: (i) any breach by the Authorized Participant of any provision of this Agreement; (ii) any failure on the part of the Authorized Participant to perform any of its obligations set forth in this Agreement; (iii) any failure by the Authorized Participant to comply with any applicable laws or the applicable rules and regulations in connection with this Agreement; (iv) any actions of such AP Indemnified Party in reliance upon any instructions issued in accordance with the Procedures believed by the AP Indemnified Party to be genuine and to have been given by the Authorized Participant; or (v) any representation by the Authorized Participant, its employees or its agents or other representatives about the Shares of a Trust, any AP Indemnified Party or such Trust that is not consistent with such Trust’s then-current Memorandum made in connection with the offer or the solicitation of an offer to buy or sell such Shares.

(b) The Sponsor hereby indemnifies and holds harmless the Authorized Participant, its respective subsidiaries, affiliates, directors, officers, employees and agents (each, a “**Sponsor Indemnified Party**”) from and against any losses (other than *de minimis* losses), liabilities, damages, costs and expenses (including reasonable attorneys’ fees and the reasonable cost of investigation, including reasonable costs involved in defending itself in connection with an investigation) incurred by such Sponsor Indemnified Party as a result of or in connection with: (i) any breach by the Sponsor of any provision of this Agreement; (ii) any failure on the part of the Sponsor to perform any of its obligations set forth in this Agreement; (iii) any failure by the Sponsor to comply with any applicable laws and any applicable rules and regulations in connection with this Agreement, except that the Sponsor shall not be required to indemnify a Sponsor Indemnified Party to the extent that such failure was caused by the reasonable reliance on instructions given or representations made by one or more Sponsor Indemnified Parties or the negligence or willful malfeasance of any Sponsor Indemnified Party; or (iv) any untrue statement or alleged untrue statement of a material fact contained in a Memorandum or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except those statements in such Memorandum based on information furnished in writing by or on behalf of the Authorized Participant expressly for use in such Memorandum.

(c) This Section 7 shall not apply to the extent any such losses, liabilities, damages, costs and expenses are incurred as a result of or in connection with any fraud, gross negligence, bad faith or willful misconduct on the part of the AP Indemnified Party or the Sponsor Indemnified Party, as the case may be.

(d) The term “affiliate” in this Section 7 shall include, with respect to any person, entity or organization, any other person, entity or organization which directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, entity or organization.

(e) If the indemnification provided for in this Section 7 is unavailable to an indemnified party under Section 7(a) or Section 7(b) or is insufficient to hold an indemnified party harmless in respect of any losses, liabilities, damages, costs and expenses referred to therein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, liabilities, damages, costs and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Sponsor and the relevant Trust, on the one hand, and by the Authorized Participant, on the other hand, from the services provided hereunder or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Sponsor and the relevant Trust, on the one hand, and of the Authorized Participant, on the other hand, in connection with, to the extent applicable, the statements or omissions which resulted in such losses, liabilities, damages, costs and expenses, as well as any other relevant equitable considerations. The relative benefits received by the Sponsor and a Trust, on the one hand, and the Authorized Participant, on the other hand, shall be deemed to be in the same respective proportions as the amount of digital assets transferred to such Trust under this Agreement, on the one hand (expressed in U.S. Dollars), and the amount of economic benefit received by the Authorized Participant in connection with this Agreement, on the other hand. To the extent applicable, the relative fault of the Sponsor, on the one hand, and of the Authorized Participant, on the other, shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Sponsor or by the Authorized Participant and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, liabilities, damages, costs and expenses referred to in this Section 7(d) shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any action, suit or proceeding (each a **"Proceeding"**) related to such losses, liabilities, damages, costs and expenses.

(f) The Sponsor and the Authorized Participant agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(d) above. The Authorized Participant shall not be required to contribute any amount in excess of the amount by which the total price (expressed in U.S. Dollars) at which the Shares of a Trust were initially created by the Authorized Participant (for avoidance of doubt, in an amount equal to the U.S. Dollar value of the Total Basket Amount deposited with such Trust at the time of creation) exceeds the amount of any damages which the Authorized Participant has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(g) The indemnity and contribution agreements contained in this Section 7 shall remain in full force and effect regardless of any investigation made by or on behalf of the Authorized Participant, its partners, stockholders, members, directors, officers, employees and shall survive any termination of this Agreement. The Sponsor and the Authorized Participant agree to promptly notify each other of the commencement of any Proceeding against it and, in the case of the Sponsor, against any of the Sponsor's officers or directors, in connection with the issuance and sale of the Shares of any Trust or in connection with a Memorandum.

Section 8. Liability.

(a) Limitation of Liability. In the absence of fraud, gross negligence, bad faith or willful misconduct, neither the Sponsor nor the Authorized Participant shall be liable to each other or to any other person, including any party claiming by, through or on behalf of the Authorized Participant, for any losses, liabilities, damages, costs or expenses arising out of any mistake or error in data or other information provided to any of them by each other or any other person or out of any interruption or delay in the electronic means of communications used by them.

(b) Tax Liability. The Authorized Participant shall be responsible for the payment of any transfer tax, sales or use tax, stamp tax, recording tax, value added tax and any other similar tax or government charge applicable to the creation or redemption of any Basket made pursuant to this Agreement, regardless of whether or not such tax or charge is imposed directly on the Authorized Participant. To the extent the Sponsor or a Trust is required by law to pay any such tax or charge, the Authorized Participant agrees to promptly indemnify such party for any such payment, together with any applicable penalties, additions to tax or interest thereon.

Section 9. Effectiveness and Termination. Upon the execution of this Agreement by the parties hereto, this Agreement shall become effective in this form as of the date first set forth above, and may be terminated at any time by any party upon thirty (30) calendar days prior written notice to the other parties unless earlier terminated: (i) upon notice to the Authorized Participant by the Sponsor in the event of a breach by the Authorized Participant of this Agreement or the procedures described or incorporated herein; or (ii) at such time as all of the Trusts have been terminated pursuant to their respective Trust Agreements.

Section 10. Certain Representations, Warranties and Covenants of the Sponsor. The Sponsor, on its own behalf and as sponsor of each Trust:

(a) agrees to notify the Authorized Participant promptly of the happening of any event during the term of this Agreement which could require the making of any change in a Memorandum then being used so that such Memorandum would not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, and, during such time, to promptly prepare and furnish, at the expense of the relevant Trust, to the Authorized Participant such amendments or supplements to such Memorandum as may be necessary to reflect any such change;

(b) represents and warrants to the Authorized Participant that the Sponsor, on behalf of each Trust, (i) has exercised reasonable care to identify each covered person of each Trust set forth in paragraph (d)(1) of Rule 506 of Regulation D under the Securities Act (other than the Authorized Participant and its directors, the executive officers and other employees or officers who participate in the offering); (ii) has exercised reasonable care to ascertain whether (A) a disqualification exists under clauses (i) through (viii) of paragraph (d)(1) of Rule 506 with respect to each such covered person and (B) whether any disclosure is required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such covered person; and (iii) does not know of (A) any disqualification that exists under paragraph (d)(1) of Rule 506 in respect of any such covered person or (B) of any disclosure required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such covered person;

(c) further represents and warrants to the Authorized Participant that each Trust has in place policies, procedures and controls reasonably designed to detect the occurrence of any event that could reasonably be expected to lead to any disqualification under paragraph (d)(1) of Rule 506 in respect of such covered person; and

(d) covenants to the Authorized Participant that the Sponsor will inform the Authorized Participant as promptly as reasonably practical of the occurrence of any event in respect of any such covered person that could reasonably be expected to give rise to a disqualification under such paragraph, including any pending or threatened litigation or regulatory actions, as well as the occurrence of any event that does, in fact, give rise to a disqualification under paragraph (d)(1) of Rule 506.

In addition, any certificate signed by any officer of the Sponsor and delivered to the Authorized Participant or counsel for the Authorized Participant pursuant hereto shall be deemed to be a representation and warranty by the Sponsor as to matters covered thereby to the Authorized Participant.

Section 11. Third Party Beneficiaries. Each AP Indemnified Party and Sponsor Indemnified Party, to the extent it is not a party to this Agreement, is a third-party beneficiary of this Agreement (each, a “**Third Party Beneficiary**”) and may proceed directly against any party hereto (including by bringing proceedings against the parties hereto in its own name) to enforce any obligation of such party under this Agreement which directly or indirectly benefits such Third Party Beneficiary.

Section 12. Force Majeure. No party to this Agreement shall incur any liability for any delay in performance, or for the non-performance, of any of its obligations under this Agreement by reason of any cause beyond its reasonable control. This includes any act of God or war or terrorism; any breakdown, malfunction or failure of transmission in connection with or other unavailability of any wire, communication or computer facilities; any transport, port, or airport disruption; and acts and regulations and rules of any governmental or supra-national bodies or authorities or regulatory or self-regulatory organization or failure of any such body, authority or organization for any reason, to perform its obligations.

Section 13. Miscellaneous.

(a) Amendment and Modification. This Agreement, the Procedures and the Schedules and Exhibits hereto may be amended, modified or supplemented by the Sponsor without consent of any beneficial owner or the Authorized Participant from time to time by the following procedure: the Sponsor will send a copy of the proposed amendment, modification or supplement to the Authorized Participant via email or regular mail. For the purposes of this Agreement, (i) an email will be deemed received by the recipient thereof on the day the notice is sent and (ii) mail will be deemed received by the recipient thereof on the third (3rd) day following the deposit of such mail into the United States postal system. Within ten (10) calendar days after its deemed receipt, the amendment, modification or supplement will become part of this Agreement, the Procedures, the Schedules or the Exhibits, as the case may be, in accordance with its terms; provided, however, that any amendments to the Procedures shall not apply retroactively to Orders submitted prior to the effectiveness of such amended Procedures as set forth herein.

(b) Waiver of Compliance. Any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but any such written waiver, or the failure to insist upon strict compliance with any obligation, covenant, agreement or condition herein, shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

(c) Notices. Except as otherwise specifically provided in this Agreement, all notices required or permitted to be given pursuant to this Agreement shall be in writing, given in person, by mail (postage prepaid) by overnight courier, or by confirmed email or confirmed facsimile, and any such notice shall be effective when received at the address or email address specified for the intended recipient below (or at such other address as such recipient may designate from time to time by written notice to the other parties), and with it being agreed that electronic signature (e.g. PDF email) shall have the same force and effect as an original signature for all notice purposes. Unless otherwise notified in writing, all notices to a Trust shall be given or sent to the Sponsor. All notices shall be directed to the address or facsimile numbers indicated below the signature line of the parties on the signature page hereof or such other address as any of the parties hereto shall have communicated in writing to the remaining parties in compliance with the provisions hereof.

(d) Successors and Assigns. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

(e) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party without the prior written consent of the other parties hereto, which shall not be unreasonably withheld, provided that any entity into which a party hereto may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion, or consolidation to which such party hereunder shall be a party, or any entity succeeding to all or substantially all of the business of the party, shall be the successor of such party without

further action under this Agreement and except that the Sponsor may delegate its obligations hereunder to any such person as the Sponsor, in its sole discretion, deems fit by notice to the Authorized Participant. The party resulting from any such merger, conversion, consolidation or succession shall promptly notify the other parties hereto of the change. Any purported assignment in violation of the provisions hereof shall be null and void. Notwithstanding the foregoing, this Agreement shall be automatically assigned to any successor Sponsor of a Trust at such time as such successor qualifies as a successor Sponsor of such Trust under the terms of the relevant Trust Agreement.

(f) Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable Delaware conflict of laws principles) as to all matters, including matters of validity, construction, effect, performance and remedies. Each party hereto irrevocably consents to the jurisdiction of the courts of the State of New York located in the Borough of Manhattan, and of any federal court located in the Borough of Manhattan in such State, in connection with any action, suit or other proceeding arising out of or relating to this Agreement or any action taken or omitted hereunder, and waives any claim of forum non conveniens and any objections as to laying of venue. Each party further waives personal service of any summons, complaint or other process and agrees that service thereof may be made by certified or registered mail directed to such party at such party's address for purposes of notices hereunder. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(g) Counterparts. This Agreement may be executed in several counterparts (including by facsimile and other electronic means), each of which when executed and delivered shall be an original, but all of which together shall constitute one and the same instrument. This 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.

(h) Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

(i) Entire Agreement. This Agreement and each Trust Agreement, along with any other agreement or instrument delivered pursuant to this Agreement and any Trust Agreement, supersede all prior agreements and understandings between the parties with respect to the subject matter hereof; provided, however, that the Authorized Participant shall not be deemed by this provision, or any other provision of this Agreement, to be a party to any Trust Agreement.

(j) Severance. If any provision of this Agreement is held by any court or any act, regulation, rule or decision of any other governmental or supra-national body or authority or regulatory or self-regulatory organization to be invalid, illegal or unenforceable for any reason, it shall be invalid, illegal or unenforceable only to the extent so held and shall not affect the validity, legality or enforceability of the other provisions of this Agreement and this Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein, unless the Sponsor determines in its discretion that the provision of this Agreement that was held invalid, illegal or unenforceable does affect the validity, legality or enforceability of one or more other provisions of this Agreement, and that this Agreement should not be continued without the provision that was held invalid, illegal or unenforceable. In that case, upon the Sponsor's notification to the Authorized Participant of such a determination, this Agreement shall immediately terminate.

(k) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

(l) Other Usages. The following usages shall apply in interpreting this Agreement: (i) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of such agency, authority or instrumentality and (ii) "including" means "including, but not limited to."

Section 14. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of each Trust, the Sponsor and the Authorized Participant set forth in, or made pursuant to, this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of the Authorized Participant, any Trust, the Sponsor or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Securities. If this Agreement is terminated for any reason, Sections 7 and 11 hereof shall survive the termination of this Agreement and remain in effect. If this Agreement is terminated pursuant to Section 9, the representations and warranties in Sections 2, 5, 6 and 10 hereof and shall also remain in effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the Authorized Participant and the Sponsor, on behalf of itself and each Trust, have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

Grayscale Investments, LLC,
the Sponsor of each of Trust

By: /s/ Michael Sonnenshein

Name: Michael Sonnenshein

Title: Managing Director

Address: 250 Park Avenue South
New York, New York 10003

Telephone: (212) 668-5921

Facsimile: (212) 937-3645

Email: info@grayscale.co

Genesis Global Trading, Inc.,
the Authorized Participant

By: /s/ Soichiro Moro

Name: Soichiro Moro

Title: CEO

Address: 250 Park Avenue South
New York, New York 10003

Telephone: (212) 668-5921

Facsimile: (646) 619-4410

Email: trading@genesistrading.com

SCHEDULE I

1. **Grayscale Bitcoin Trust (BTC)**, a Delaware statutory trust formed on September 13, 2013.
2. **Grayscale Bitcoin Cash Trust (BCH)**, a Delaware statutory trust formed on January 26, 2018.
3. **Grayscale Ethereum Trust (ETH)**, a Delaware statutory trust formed on December 13, 2017.
4. **Grayscale Ethereum Classic Trust (ETC)**, a Delaware statutory trust formed on April 18, 2017.
5. **Grayscale Horizen Trust (ZEN)**, a Delaware statutory trust formed on July 3, 2018.
6. **Grayscale Litecoin Trust (LTC)**, a Delaware statutory trust formed on January 26, 2018.
7. **Grayscale Stellar Lumens Trust (XLM)**, a Delaware statutory trust formed on October 26, 2018.
8. **Grayscale XRP Trust (XRP)**, a Delaware statutory trust formed on February 26, 2018.
9. **Grayscale Zcash Trust (ZEC)**, a Delaware statutory trust formed on February 26, 2018.

EXHIBIT A

FORM OF CERTIFIED AUTHORIZED PERSONS OF AUTHORIZED PARTICIPANT

The following are the names, titles and signatures of all persons (each an “**Authorized Person**”) authorized to give instructions relating to any activity contemplated by the Master Participant Agreement or any other notice, request or instruction on behalf of the Authorized Participant pursuant to the Master Participant Agreement.

Authorized Participant: Genesis Global Trading, Inc.

Name: Soichiro Moro

Name: Michael Paleokrassas

Title: CEO

Title: Managing Director

Signature: _____

Signature: _____

Name: _____

Name: Carl Bergman

Title: _____

Title: Operations Associate

Signature: _____

Signature: _____

The following are email addresses (each a “**Participant email**”) where the Sponsor, or any party delegated by the Sponsor, may send, and from which it may receive, emails relating to any activity contemplated by the Master Participant Agreement or any other notice, request or instruction on behalf of a Trust pursuant to the Master Participant Agreement.

email 1: trusts@genesistrading.com

email 2: genesis@genesistrading.com

Confirm email 1: trusts@genesistrading.com

Confirm email 2: genesis@genesistrading.com

The undersigned, Soichiro Moro, CEO of Genesis Global Trading, Inc., hereby certifies that the persons listed above have been duly elected to the offices set forth beneath their names, that they presently hold such offices, that they have been duly authorized to act as Authorized Persons pursuant to the Master Participant Agreement by and between Genesis Global Trading, Inc. and Grayscale Investments, LLC, dated June 11, 2018 (the “**Master Participant Agreement**”), and that their signatures set forth above are their own true and genuine signatures. The undersigned further certifies that the emails listed above are the correct email addresses where the Sponsor, or its delegate, may send emails relating to any activity contemplated by the Master Participant Agreement. A receipt confirmation for correspondence sent to any of the emails listed above shall serve as conclusive evidence that the confirmation was provided pursuant to the Master Participant Agreement.

IN WITNESS WHEREOF, the undersigned has hereby set his/her hand and the seal of Genesis Global Trading, Inc. on the date set forth below.

Subscribed and sworn to before me
this [] day of June, 2018

By: _____

Name: Soichiro Moro

Title: CEO

Date: June [], 2018

Notary Public

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EXHIBIT B
FORM OF CREATION ORDER FORM

Trust: _____

Authorized Participant: _____

Order Date: _____

Number of Shares to be issued: _____

Number of Creation Baskets to be issued: _____

Total Basket Amount: _____

Authorized Participant Self-Administered Account*: _____

* **“Authorized Participant Self-Administered Account”** means a digital asset wallet address provided and known to the Sponsor, its delegate and the Trust’s Security Vendors as belonging to the Authorized Participant.

All Creation Orders are subject to the terms and conditions of the Amended and Restated Declaration of Trust and Trust Agreement, as amended from time to time (the **“Trust Agreement”**) of [] Trust (the **“Trust”**), as currently in effect and the Master Participant Agreement among the Authorized Participant and the Sponsor named therein (the **“Master Participant Agreement”**). All representations and warranties of the Authorized Participant set forth in the Master Participant Agreement are incorporated herein by reference. Capitalized terms used but not defined herein shall have the meaning given in the Procedures.

Listed below are the names of the investors that will beneficially own Shares obtained pursuant to this Creation Order (each, an **“Investor”**), the number of Shares that each such Investor will own and an indication of whether the Investor is a benefit plan investor (as defined in the Trust’s Memorandum).

Name: _____	Number of Shares: _____	☐ benefit plan investor
Name: _____	Number of Shares: _____	☐ benefit plan investor
Name: _____	Number of Shares: _____	☐ benefit plan investor
Name: _____	Number of Shares: _____	☐ benefit plan investor
Name: _____	Number of Shares: _____	☐ benefit plan investor

The Authorized Participant confirms to the Trust that it has, within the past three months, taken reasonable steps to verify that each such Investor is an “accredited investor” within the meaning of Rule 501(a) of Regulation D under the Securities Act, and has determined that such person is an accredited investor. Additionally, such Investor(s) represent(s) and warrant(s) in its (their) Subscription Agreement that, among other things, it has reviewed and understands the risks of an investment in the Trust, has the financial knowledge and experience to evaluate such investment, is able to bear the substantial risks of an investment in the Trust and is able to afford to lose its entire investment.

In connection with the Authorized Participant’s acceptance of an interest in the Trust, the Authorized Participant does hereby irrevocably constitute and appoint the Sponsor, and its successors and assigns, as its true and lawful Attorney-in-Fact, with full power of substitution, in its name, place and stead, in the execution, acknowledgment, filing and publishing of Trust documents, including, but not limited to, the following: (i) any certificates and other instruments, including but not limited to, any applications for authority to do business and amendments thereto, which the Sponsor deems appropriate to qualify or continue the Trust as a business or statutory trust in the jurisdictions in which the Trust may conduct business, so long as such qualifications and continuations are in accordance with the terms of the

Trust Agreement, or which may be required to be filed by the Trust or the Trust's Shareholders under the laws of any jurisdiction; (ii) any instrument which may be required to be filed by the Trust under the laws of any state or by any governmental agency, or which the Sponsor deems advisable to file; and (iii) the Trust Agreement and any documents which may be required to effect an amendment to the Trust Agreement approved under the terms of the Trust Agreement, and the continuation of the Trust, the admission of the signer of the Power of Attorney as a Shareholder, or of others as additional or substituted Shareholders, or the termination of the Trust, provided such continuation, admission or termination is in accordance with the terms of the Trust Agreement. The Power of Attorney granted hereby shall be deemed to be coupled with an interest and shall be irrevocable and shall survive, and shall not be affected by, the Authorized Participant's subsequent insolvency or dissolution or any delivery by the Authorized Participant of an assignment of the whole or any portion of the Authorized Participant's Shares.

The undersigned understands that by submitting this Creation Order, he/she is making the representations and warranties set forth in the Master Participant Agreement and is also granting an irrevocable Power of Attorney.

The undersigned hereby certifies as of the date set forth below that he/she is an Authorized Person under the Master Participant Agreement and that he/she is authorized to deliver this Creation Order to the Sponsor on behalf of the Authorized Participant.

Date:_____

(Please Print Name of Authorized Participant)

Accepted by:

By: _____

Name:

Title:

[] Trust

By: Grayscale Investments, LLC,
as Sponsor

By: _____

Name:

Title:

By: _____

Name:

Title:

EXHIBIT C
FORM OF REDEMPTION ORDER FORM

Trust: _____

Authorized Participant: _____

Date: _____

Number of Shares to be redeemed: _____

Number of Redemption Baskets to be issued: _____

Authorized Participant Self-Administered Account*: _____

* **“Authorized Participant Self-Administered Account”** means a digital asset wallet address provided and known to the Sponsor, its delegates and the Trust’s Security Vendors as belonging to the Authorized Participant.

All Redemption Orders are subject to the terms and conditions of the Amended and Restated Declaration of Trust and Trust Agreement, as amended from time to time (the **“Trust Agreement”**), of [] Trust (the **“Trust”**) as currently in effect and the Master Participant Agreement among the Authorized Participant and the Sponsor named therein (the **“Master Participant Agreement”**). All representations and warranties of the Authorized Participant set forth in the Master Participant Agreement are incorporated herein by reference. Capitalized terms used but not defined herein shall have the meaning given in the Procedures.

The undersigned represents and warrants that prior to submitting this Redemption Order, the Authorized Participant has ascertained that (i) the digital asset wallet to be used in connection with the Redemption Order is owned outright by the Authorized Participant or it has full legal authority and legal and beneficial right to any digital assets transferred to such digital asset wallet and (ii) the Authorized Participant Self-Administered Account is appropriately designated for receipt of the number of digital assets equal to the Total Basket Amount distributed by the Trust.

THE UNDERSIGNED UNDERSTANDS THAT IT IS SOLELY RESPONSIBLE FOR THE ACCURACY OF THE AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT PROVIDED FOR THE TRANSFER OF THE TOTAL BASKET AMOUNT PURSUANT TO THIS REDEMPTION ORDER.

The undersigned does hereby certify as of the date set forth below that he/she is an Authorized Person under the Master Participant Agreement and that he/she is authorized to deliver this Redemption Order to the Sponsor on behalf of the Authorized Participant. The undersigned understands that by submitting this Redemption Order he/she is making the representations and warranties set forth in the Master Participant Agreement.

[NAME OF AUTHORIZED PARTICIPANT]

Date: _____

By: _____

Name:

Title:

ANNEX A

ARTICLE I

SCOPE OF PROCEDURES

This Annex A to the Master Participant Agreement (the “**Master Participant Agreement**”) supplements the Master Participant Agreement, the Memorandum and each Trust Agreement (as defined below) with respect to the procedures (the “**Procedures**”) to be used in processing (1) creation orders for the creation of one or more Baskets (as defined below) (“**Creation Order**”) of any Trust listed on Schedule I to the Master Participant Agreement (each, a “**Trust**”) or (2) redemption orders for the redemption of one or more Baskets (“**Redemption Order**”) of any Trust. Shares of a Trust may be created or redeemed only in aggregations of 100 Shares (each such aggregation, a “**Basket**”) of such Trust. Because the creation and redemption of Baskets involve the transfer of digital assets between the Authorized Participant and a Trust, certain processes relating to the underlying digital asset transfers are described below.

EACH TRUST AND THE AUTHORIZED PARTICIPANT ACKNOWLEDGE THAT DIGITAL ASSET TRANSFERS MAY BE IRREVERSIBLE.

Capitalized terms used but not defined in these Procedures shall have the meanings assigned to them in the Master Participant Agreement.

Each Participant is responsible for ensuring that the number of (i) digital assets that equal the Total Basket Amount (as defined below) or (ii) Baskets it intends to transfer to a Trust in exchange for digital assets, respectively, are available to transfer to such Trust in the manner and at the times described in these Procedures.

ARTICLE II

CREATION PROCEDURES

In order to create Baskets of a Trust, the Authorized Participant must transfer to such Trust the number of digital assets equal to the Total Basket Amount, as calculated in accordance with Section 2 of this Article II below. In order to facilitate the transfer of the Total Basket Amount in connection with a creation, the Sponsor, on behalf of such Trust as the digital asset recipient, will provide to the Authorized Participant the address for the Digital Asset Account belonging to such Trust, as the party initiating the transfer of digital assets. In the data packets distributed from digital asset software programs to confirm each transfer of digital assets, the Sponsor, the relevant Security Vendors and the Authorized Participant must “sign” transactions with a data code derived from entering the private key into a “hashing algorithm,” which signature serves as validation that the transaction has been authorized by the Authorized Participant, as owner of the digital assets. The signing process is facilitated by either a software program or a third party provider used to generate digital asset wallets and the related addresses for each of the relevant Trust and the Authorized Participant. An Authorized Participant who transfers digital assets to a Trust in exchange for Creation Baskets will receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or such Trust, except as otherwise set forth in the Master Participant Agreement. For the avoidance of doubt, it is understood that there may be transaction fees associated with the validation of the transfer of digital assets by the relevant digital asset network.

1. Placing of Creation Order.

- 1.1. Authorized Participants may submit Creation Orders to the Sponsor or its delegate only on Business Days. Creation Orders can only be placed for a number of Shares of a Trust equal to one or more whole Baskets. A Creation Order to create one or more Creation Baskets must be placed by an Authorized Participant with the Sponsor or its delegate by 4:00 p.m., New York time, (the “**Order Cut-Off Time**”) on a Business Day (the “**Creation Order Date**”).
- 1.2. To place a Creation Order, an Authorized Person of the Authorized Participant must email the Sponsor or its delegate at creations@grayscale.co.
- 1.3. ALL CREATION ORDERS REQUIRE WRITTEN CONFIRMATION FROM THE SPONSOR OR ITS DELEGATE VIA EMAIL (THE “**CREATION ORDER CONFIRMATION EMAIL**”).
- 1.4. A CREATION ORDER FOR CREATION BASKETS OF A TRUST CANNOT BE CANCELED BY THE AUTHORIZED PARTICIPANT AFTER THE CREATION ORDER CONFIRMATION EMAIL HAS BEEN SENT.

- 1.5. After the Order Cut-Off Time, the Sponsor will calculate the number of digital assets that the Authorized Participant must transfer to the relevant Trust to fulfill the Creation Order on the Creation Order Date (in accordance with Sections 2 and 3 below) and send such calculation to the Authorized Participant to complete the Creation Order Form (the “**Creation Order Calculation Email**”).
- 1.6. After the Creation Order Calculation Email is sent by the Sponsor or its delegate to the Authorized Participant, the Authorized Participant shall email a PDF copy of the completed Creation Order Form to the Sponsor or its delegate. Upon receipt, the Sponsor or its delegate shall immediately email or telephone the Authorized Participant if the Sponsor or its delegate believes that the Creation Order Form has not been completed correctly by the Authorized Participant.
- 1.7. Subject to the conditions that a properly completed Creation Order Form has been placed by the Authorized Participant not later than 6:00 p.m., New York time, Section 3(c) of the Master Participant Agreement and any other applicable provision contained in these Procedures, the Sponsor or its delegate will accept the Creation Order on behalf of the relevant Trust.

2. Determination of Total Basket Amount

- 2.1. After the Order Cut-Off Time, the Sponsor or its delegate will calculate the number of digital assets that the Authorized Participant must transfer to the relevant Trust to fulfill the Creation Order on the Creation Order Date.
- 2.2. The number of digital assets required for a Creation Basket or a Redemption Basket of a Trust shall be determined by the Sponsor or its delegate by dividing (x) the number of digital assets owned by such Trust at 4:00 p.m., New York time, on the Creation Order Date, after deducting the number digital assets representing the U.S. Dollar value of accrued but unpaid fees and expenses of such Trust (in the case of any such fee and expense other than the Sponsor’s Fee, converted using the relevant Index Price (as defined in such Trust’s Memorandum) at such time (carried to the eighth decimal place)), by (y) the number of Shares of such Trust outstanding at such time (the quotient so obtained calculated to one one-hundred-millionth of one digital asset (i.e., carried to the eighth decimal place)) and multiplying such quotient by 100 (the “**Basket Amount**”). The Basket Amount multiplied by the number of Baskets being created in accordance with this Article II or redeemed in accordance with Article III is the “**Total Basket Amount**.” The Sponsor’s determination of all questions as to the composition of the Total Basket Amount shall be final.

3. Settlement of Creation Order

- 3.1. Once the Total Basket Amount has been determined, the Sponsor or its delegate will send the Creation Order Calculation Email to the Authorized Participant providing the (i) Total Basket Amount and (ii) the address of a Digital Asset Account belonging to the relevant Trust.

- 3.2. Between the Authorized Participant's receipt of such e-mail, as provided in Section 3.1 of this Article II, and 6:00 p.m., New York time, the Authorized Participant will initiate the transfer of the Total Basket Amount from such Authorized Participant Self-Administered Account to the relevant Digital Asset Account and will immediately notify the Sponsor or its delegate via e-mail of such transfer. THE AUTHORIZED PARTICIPANT IS SOLELY RESPONSIBLE FOR THE ACCURACY OF SUCH AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT USED IN CONNECTION WITH THE TRANSFER OF THE TOTAL BASKET AMOUNT PURSUANT TO A CREATION ORDER. TRANSFERS OTHER THAN THOSE RECEIVED FROM AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT WILL NOT BE CREDITED TO ANY AUTHORIZED PARTICIPANT. NONE OF THE SPONSOR, ITS DELEGATES OR ANY SECURITY VENDOR SHALL BE RESPONSIBLE FOR ANY TRANSFERS MADE FROM AN ACCOUNT OTHER THAN AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT.
- 3.3. The Sponsor or its delegate will confirm transfer of the Total Basket Amount from such Authorized Participant Self-Administered Account to the relevant Digital Asset Account and, if applicable, the validation of such transfer by the relevant digital asset network with the relevant Security Vendors. The Sponsor may determine another mechanism for a Trust to accept delivery of digital assets as the Sponsor may, from time to time, determine to be acceptable for such Trust.
- 3.4. The Sponsor or its delegate will send a confirmation email to the Authorized Participant to evidence such transfer of the Total Basket Amount to the relevant Digital Asset Account. The Sponsor or its delegate will call or e-mail the Authorized Participant to confirm the relevant Trust's receipt of the Total Basket Amount in such Digital Asset Account. The expense and risk of delivery, ownership and safekeeping of digital assets, until such digital assets have been transferred to such Digital Asset Account shall be borne solely by the Authorized Participant.
- 3.5. Upon confirmation of receipt of the Total Basket Amount in the relevant Digital Asset Account, the Sponsor or its delegate will direct the Transfer Agent to credit to the account of the Investor on behalf of which the Authorized Participant submitted the Creation Order the number of Creation Baskets of the relevant Trust ordered by the Authorized Participant as soon as possible thereafter, provided that the Transfer Agent shall credit the number of Creation Baskets to fill the Authorized Participant's Creation Order by no later than 6:00 p.m., New York time, on the Creation Order Date, or as soon thereafter as practicable.
- 3.6. The Transfer Agent will issue a statement to the Sponsor and the Authorized Participant reflecting the number of Creation Baskets that have been credited to the Authorized Participant.

4. DISCLAIMER. DIGITAL ASSET TRANSFERS MAY BE IRREVERSIBLE AND THERE IS NO RECOURSE AGAINST ANYONE FOR THE WRONGFUL DELIVERY OF DIGITAL ASSETS TO AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD) WALLET ADDRESS OR AN INVALID WALLET ADDRESS AND THERE IS CURRENTLY NO METHOD TO RETRIEVE DIGITAL ASSETS FROM AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD) WALLET ADDRESS OR AN INVALID ADDRESS. THE EXPENSE AND RISK OF DELIVERY, OWNERSHIP AND SAFEKEEPING OF DIGITAL ASSETS, UNTIL SUCH DIGITAL ASSETS HAVE BEEN RECEIVED BY THE RELEVANT TRUST, SHALL BE BORNE SOLELY BY THE AUTHORIZED PARTICIPANT. SUCH TRUST, THE SPONSOR, ITS DELEGATES AND THE RELEVANT SECURITY VENDORS ARE NOT RESPONSIBLE FOR ERRANT TRANSFERS DUE TO TYPOGRAPHICAL, COMPUTER OR HUMAN ERROR ON THE PART OF THE AUTHORIZED PARTICIPANT.

ARTICLE III

REDEMPTION PROCEDURES

In order to redeem Baskets of a Trust, the Authorized Participant must transfer Baskets to such Trust and such Trust must transfer an amount of digital assets equal to the Total Basket Amount, as calculated in accordance with Section 2 of Article II, to the Authorized Participant. In order to facilitate the transfer of the Total Basket Amount in connection with a redemption, the Authorized Participant, as the digital asset recipient, will provide the address of its Authorized Participant Self-Administered Account to the Sponsor or its delegate, who will, instructing the relevant Security Vendors as necessary, initiate the transfer of digital assets on behalf of the relevant Trust. In the data packets distributed from digital asset software programs to confirm each transfer of digital assets, the Sponsor and the relevant Security Vendors must “sign” transactions with a data code derived from entering the private key into a “hashing algorithm,” which signature serves as validation that the transaction has been authorized by the relevant Trust, as owner of the digital assets. The signing process is facilitated by either a software program or a third party provider used to generate digital asset wallets and the related addresses for each of the relevant Trust and the Authorized Participant. An Authorized Participant will not incur any fees or other form of expenses in connection with a redemption transaction, except as otherwise set forth in the Master Participant Agreement. For the avoidance of doubt, it is understood that there may be transaction fees associated with the validation of the transfer of digital assets by the relevant digital asset network.

EACH TRUST AND THE AUTHORIZED PARTICIPANT ACKNOWLEDGE THAT DIGITAL ASSET TRANSFERS MAY BE IRREVERSIBLE.

1. Placing of Redemption Order.

- 1.1. Authorized Participants may submit Redemption Orders only on Business Days. Redemption Orders may only be placed for a number of Shares of a Trust equal to one or more whole Baskets. A Redemption Order to redeem one or more Redemption Baskets must be placed by an Authorized Participant with the Sponsor or its delegate by 4:00 p.m., New York time, (the “**Order Cut-Off Time**”) on a Business Day (the “**Redemption Order Date**”).
- 1.2. To place a Redemption Order, an Authorized Person of the Authorized Participant must email the Sponsor or its delegate at redemptions@grayscale.co
- 1.3. ALL REDEMPTION ORDERS REQUIRE WRITTEN CONFIRMATION FROM THE SPONSOR OR ITS DELEGATE VIA EMAIL (THE “**REDEMPTION ORDER CONFIRMATION EMAIL**”).
- 1.4. A REDEMPTION ORDER FOR REDEMPTION BASKETS OF A TRUST CANNOT BE CANCELED BY THE AUTHORIZED PARTICIPANT AFTER THE SPONSOR’S OR ITS DELEGATE’S REDEMPTION ORDER CONFIRMATION EMAIL HAS BEEN SENT

- 1.5. After the Order Cut-Off Time, the Sponsor will calculate the Total Basket Amount that the relevant Trust must transfer to the Authorized Participant to fulfill the Redemption Order on the Redemption Order Date (in accordance with Section 2 of Article II of these Procedures) and send such calculation to the Authorized Participant to complete the Redemption Order Form (the “**Redemption Order Calculation Email**”).
- 1.6. After the Redemption Order Calculation Email is sent by the Sponsor or its delegate to the Authorized Participant, the Authorized Participant shall email a PDF copy of the completed Redemption Order Form to the Sponsor or its delegate. Upon receipt, the Sponsor or its delegate shall immediately email or telephone the Authorized Participant if the Sponsor or its delegate believes that the Redemption Order Form has not been completed correctly by the Authorized Participant.
- 1.7. Subject to the conditions that a properly completed Redemption Order Form has been placed by the Authorized Participant not later than 6:00 p.m., New York time, Section 3(d) of the Master Participant Agreement and any other applicable provision contained in these Procedures, the Sponsor or its delegate will accept the Redemption Order on behalf of the relevant Trust.

2. Determination of Total Basket Amount.

- 2.1. After the Order Cut-Off Time, the Sponsor or its delegate will calculate the Total Basket Amount that the relevant Trust must transfer to the Authorized Participant to fulfill the Redemption Order on the Redemption Order Date in accordance with Section 2 of Article II of these Procedures.

3. Settlement of Redemption Order.

- 3.1. Once the Total Basket Amount has been determined, the Sponsor or its delegate will send the Redemption Order Calculation E-mail to the Authorized Participant providing the Total Basket Amount.
- 3.2. The Authorized Participant will then send an email to the Sponsor or its delegate (i) acknowledging the receipt and the content of the Sponsor’s or its delegate’s email, as provided in Section 3.1 of this Article III, and (ii) providing the address of its Authorized Participant Self-Administered Account.
- 3.3. Upon receipt of the Authorized Participant’s email, the Sponsor or its delegate will email or telephone the Authorized Participant within 30 minutes, or as soon thereafter as practicable to orally confirm receipt of the e-mail and the information included in such e-mail generally, and such Authorized Participant Self-Administered Account specifically. THE AUTHORIZED PARTICIPANT IS SOLELY RESPONSIBLE FOR THE ACCURACY OF SUCH

AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT PROVIDED IN CONNECTION WITH THE TRANSFER OF THE TOTAL BASKET AMOUNT PURSUANT TO A REDEMPTION ORDER. TRANSFERS WILL ONLY BE MADE TO AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT AND ANY REQUEST FOR A TRANSFER TO AN ACCOUNT OTHER THAN AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT WILL BE REJECTED.

- 3.4. The Sponsor or its delegate will 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 of the relevant Trust ordered by the Authorized Participant as soon as possible, provided that the Transfer Agent shall so debit the number of Redemption Baskets to fill the Authorized Participant's Redemption Order by no later than 6:00 p.m., New York time, on the Redemption Order Date, or as soon thereafter as practicable.
- 3.5. The Transfer Agent will e-mail the Sponsor or its delegate to confirm the debiting of the Redemption Baskets ordered by the Authorized Participant in the transfer register.
- 3.6. The Transfer Agent will issue a statement to the Sponsor and the Authorized Participant reflecting the number of Redemption Baskets that have been debited from the Authorized Participant.
- 3.7. The Sponsor or its delegate will, instructing the relevant Security Vendors as necessary, initiate the transfer of the Total Basket Amount from the relevant Digital Asset Account, to such Authorized Participant Self-Administered Account as soon as possible, provided that the transfer of the Total Basket Amount from such Digital Asset Account to such Authorized Participant Self-Administered Account shall occur by no later than the 6:00 p.m., New York time, on the Redemption Order Date. The expense and risk of delivery, ownership and safekeeping of digital assets, until such digital assets have been transferred into such Authorized Participant Self-Administered Account, shall be borne solely by the relevant Trust.
- 3.8. If applicable, one or more of the Security Vendors will provide confirmation to the Sponsor or its delegate after it receives confirmation of the transfer of the Total Basket Amount and the validation of such transfer by the relevant digital asset network.
- 3.9. The Sponsor or its delegate will e-mail and call the Authorized Participant to confirm receipt of the Total Basket Amount in such Authorized Participant Self-Administered Account.

4. DISCLAIMER. DIGITAL ASSET TRANSFERS MAY BE IRREVERSIBLE AND THERE IS NO RECOURSE AGAINST ANYONE FOR THE WRONGFUL DELIVERY OF DIGITAL ASSETS TO AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD) WALLET ADDRESS OR AN INVALID WALLET ADDRESS

AND THERE IS CURRENTLY NO METHOD TO RETRIEVE DIGITAL ASSETS FROM AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD) WALLET ADDRESS OR AN INVALID WALLET ADDRESS. THE EXPENSE AND RISK OF DELIVERY, OWNERSHIP AND SAFEKEEPING OF DIGITAL ASSETS, UNTIL SUCH DIGITAL ASSETS HAVE BEEN RECEIVED BY THE AUTHORIZED PARTICIPANT, SHALL BE BORNE SOLELY BY THE RELEVANT TRUST. SUCH TRUST, THE SPONSOR, ITS DELEGATES AND ANY SECURITY VENDORS ARE NOT RESPONSIBLE FOR ERRANT TRANSFERS DUE TO TYPOGRAPHICAL, COMPUTER OR HUMAN ERROR ON THE PART OF THE AUTHORIZED PARTICIPANT.

Certain confidential information contained in this document, marked by [**], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.

Execution Version

TRUST COMPANY CUSTODIAL SERVICES AGREEMENT

This Custodial Services Agreement (the “**Agreement**”) is made by and between Grayscale Horizen Trust (ZEN) (the “**Grayscale Investment Product**”), Grayscale Investments, LLC, sponsor of the Grayscale Investment Product (the “**Sponsor**” and together with the Grayscale Investment Product, the “**Client**”) and Coinbase Custody Trust Company, LLC, with an address at 200 Park Avenue South, Suite 1208, New York, NY 10003 (“**Trust Company**”). This Agreement governs Client’s use of the Custodial Services (as defined herein) provided by Trust Company as a fiduciary to its clients’ assets.

1. CUSTODIAL SERVICES.

1.1. Custodial Services. Client hereby appoints Trust Company as its exclusive provider of Custodial Services for a term of three (3) years from the date of Client’s signature to this Agreement (the “**Initial Term**”), subject to earlier termination in accordance with Section 4.5. Trust Company shall establish Client’s “**Custodial Account**” as a segregated custody account controlled and secured by Trust Company to store certain supported digital currencies and utility tokens (“**Digital Assets**”), on Client’s behalf (the “**Custodial Services**”). Trust Company is a fiduciary under § 100 of the New York Banking Law and a qualified custodian for purposes of Rule 206(4)-2(d)(6) under the Investment Advisers Act of 1940, as amended, and is licensed to custody Client’s Digital Assets in trust on Client’s behalf. Digital Assets in Client’s Custodial Account are not treated as general assets of Trust Company. Rather, Trust Company serves as a fiduciary and custodian on Client’s behalf, and the Digital Assets in Client’s Custodial Account are considered fiduciary assets that remain Client’s property at all times.

1.2. Opt-in to Article 8 of the Uniform Commercial Code of the State of New York. Trust Company is a “securities intermediary” as that term is defined in Article 8 of the Uniform Commercial Code of the State of New York (“Article 8”). Although it holds only Digital Assets, solely for purposes of this Agreement, Client’s Custodial Account is considered a “securities account” under Article 8, and Client is the “entitlement holder” of the securities account under Article 8. Solely for purposes of this Agreement, Digital Assets in Client’s Custodial Account are treated as “financial assets” under Article 8. Trust Company is obligated by Article 8 to maintain sufficient Digital Assets to satisfy all entitlements of customers of Trust Company to the same Digital Assets. Trust Company may not grant a security interest in the Digital Assets in Client’s Custodial Account. Digital Assets in Client’s Custodial Account are custodial assets. Under Article 8, the Digital Assets in Client’s Custodial Account are not general assets of Trust Company and are not available to satisfy claims of creditors of Trust Company. The treatment of Digital Assets in Client’s Custodial Account as financial assets under Article 8 does not determine the characterization or treatment of the Digital Assets under any other law or rule.

1.3. Custodial Services Fees. The fees associated with the Custodial Services set forth herein shall be calculated in accordance with Schedule A (“**Fee Schedule**”).

1.4. No Investment Advice or Brokerage. Trust Company does not provide investment, tax, or legal advice, nor does Trust Company broker transactions on Client’s behalf. Client acknowledges that Trust Company has not provided any advice or guidance or made any recommendations to Client with regard to the suitability or value of any Digital Assets, and that Trust Company has no liability regarding any selection of a Digital Asset that is held by Client through Client’s Custodial Account and the Custodial Services. All deposit and withdrawal transactions are executed based on Client’s instructions and in accordance with posted deposit and withdrawal execution procedures, and Client is solely responsible for determining whether any investment, investment strategy, or related transaction involving Digital Assets is appropriate for Client based on Client’s personal investment objectives, financial circumstances, and risk tolerance. Client should consult its legal or tax professional regarding Client’s specific situation.

1.5. Acknowledgement of Risks. Client acknowledges that the Custodial Accounts not covered by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation.

2. CREATING A CUSTODIAL ACCOUNT.

2.1. Registration of Custodial Account. The Custodial Services are provided through <https://custody.coinbase.com/> or any associated websites or application programming interfaces (“APIs”) (collectively, the “Trust Company Site”). To use the Custodial Services, Client must create a Custodial Account by providing Trust Company with all information requested.

2.2. Authorized Representatives. Client shall provide the names of “Authorized Representatives” of Client on Schedule B hereto, each of whom shall be an employee or officer of Client. Each Authorized Representative shall be authorized to access the Trust Company Site and issue instructions to the Trust Company on behalf of Client. Each Authorized Person will continue to be an Authorized Representative of Client until such time as Trust Company receives instructions from Client that its Authorized Representatives have changed. Client shall promptly notify the Trust Company in the event that the Authorized Representatives have changed.

3. CUSTODIAL ACCOUNT.

3.1. In General. The Custodial Services (i) allow supported Digital Assets to be deposited from a public blockchain address to Client’s Custodial Account and (ii) allow Client to withdraw supported Digital Assets from Client’s Custodial Account to a public blockchain address Client controls pursuant to instructions Client provides through the Trust Company Site (each such transaction is a “Custody Transaction”). The Digital Assets stored in Client’s Custodial Account are not commingled with Digital Assets that Trust Company custodies for its other clients or Digital Assets of Trust Company and are custodied pursuant to the terms of this Agreement and any addenda thereto. **Trust Company reserves the right to refuse to process or to cancel any pending Custody Transaction as required by law or in response to a subpoena, court order, or other binding government order or to enforce transaction, threshold, and condition limits, in each case as communicated to Client as soon as reasonably practicable where Trust Company is permitted to do so, or if Trust Company reasonably believes that the Custody Transaction may violate or facilitate the violation of an applicable law, regulation or applicable rule of a governmental authority or self-regulatory organization. Trust Company cannot reverse a Custody Transaction which has been broadcast to a Digital Asset network.**

3.2. Instructions. Trust Company may act upon instructions (“Instructions”) from Client’s Authorized Representatives (or otherwise given on Client’s behalf) in such manner as is currently utilized by Trust Company, or otherwise as notified to Client by Trust Company, provided that (i) Instructions shall continue in full force and effect until cancelled or superseded (except in respect of Instructions executed by Trust Company, which can no longer be cancelled), (ii) if Trust Company becomes aware of any Instructions that are illegible, unclear or ambiguous, Trust Company shall promptly notify Client and may refuse to execute such Instructions until any ambiguity or conflict has been resolved to its satisfaction, (iii) Trust Company may further refuse to execute Instructions if in Trust Company’s reasonable opinion such Instructions are outside the scope of Trust Company’s duties under this Agreement or are contrary to any applicable law, rule or other regulatory requirement (whether arising

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from any governmental authority or self-regulatory organization), and Trust Company will promptly notify Client of such refusal, and (iv) Trust Company may rely in the performance of its duties under this Agreement and without liability on its part, upon any Instructions given by Client's Authorized Representatives and upon any notice, request, consent, certificate or other instrument believed by it in good faith and in a commercially reasonable manner to be genuine and to be signed or furnished by the proper party or parties thereto, including (without limitation) Client or any of Client's Authorized Representatives. Client is responsible for losses resulting from inaccurate Instructions provided by Client (e.g., if Client provides the wrong destination address to Trust Company for executing a withdrawal transaction). Trust Company is responsible for losses resulting from its errors in executing a transaction (e.g., if Client provides the correct destination address for executing a withdrawal transaction, but Trust Company erroneously sends Client's Digital Assets to another destination address).

3.3. Digital Asset Deposits and Withdrawals. Trust Company processes supported Digital Asset deposits and withdrawals according to the Instructions received from Authorized Representatives, and Trust Company does not guarantee the identity of any Authorized Representative. Client should verify all transaction information prior to submitting Instructions to Trust Company. Client should manage and keep secure any and all information or devices associated with deposit and withdrawal verification procedures, including YubiKeys and passphrases or other security or confirmation information. Trust Company reserves the right to charge network fees (miner fees) to process a Digital Asset transaction on Client's behalf. Trust Company will calculate the network fee, if any, in its discretion, although Trust Company will always notify Client of the network fee at or before the time Client authorizes the transaction. Trust Company reserves the right to delay any Custody Transaction if it perceives a risk of fraud or illegal activity.

3.4. Processing of Custody Transactions; Availability of Custodial Account and Custodial Services. From the time Trust Company has verified the authorization of a complete set of Instructions to withdraw Digital Assets from Client's Custodial Account, Trust Company will have up to forty-eight (48) hours to process and complete such Instruction to withdraw Digital Assets from Client's Custodial Account and send those Digital Assets to the applicable Digital Asset network. An Instruction to withdraw Digital Assets will be considered to be received by Trust Company at the time of transmission of the Instruction from Client's Custodial Account.

Trust Company will ensure that Client initiated Instructions to deposit are processed in a timely manner but Trust Company makes no representations or warranties regarding the amount of time needed to complete processing which is dependent upon many factors outside of Trust Company's control.

Except as otherwise provided under this Agreement and subject to Section 4.6, Client and Client's Authorized Representatives shall be able to access the Custodial Account via the Trust Company Site 99.9% of the time (excluding scheduled maintenance) in order to check information about the Custodial Account or initiate a Custody Transaction (subject to the timing described above).

Trust Company makes no other representations or warranties with respect to the availability and/or accessibility of the Digital Assets or the availability and/or accessibility of the Custodial Account or Custodial Services.

3.5. Safekeeping of Digital Assets. Trust Company shall use best efforts to keep in safe custody on behalf of Client all Digital Assets received by Trust Company. All Digital Assets credited to the Custodial Account shall:

- (i) be held in the Custodial Account at all times, and the Custodial Account shall be controlled by Trust Company;
- (ii) be labeled or otherwise appropriately identified as being held for Client;
- (iii) be held in the Custodial Account on a non-fungible basis;
- (iv) not be commingled with other Digital Assets held by Trust Company, whether held for Trust Company's own account or the account of other clients other than Client;
- (v) not without the prior written consent of Client be deposited or held with any third-party depository, custodian, clearance system or wallet;
- (vi) for any Custodial Accounts maintained by Trust Company on behalf of Client, Trust Company will use best efforts to keep the private key or keys secure, and will not disclose such keys to Client or to any other individual or entity except to the extent that any keys are disclosed consistent with a standard of best efforts and as part of a multiple signature solution that would not result in the Grayscale Investment Product or Sponsor "storing, holding, or maintaining custody or control of" the Digital Assets "on behalf of others" within the meaning of the New York BitLicense Rule (23 NYCRR Part 200) as in effect as of June 24, 2015 such that it would require the Grayscale Investment Product or Sponsor to become licensed under such law.

3.6. Supported Digital Asset. The Custodial Services are available only in connection with those Digital Assets that Trust Company, in its sole discretion, decides to support. The Digital Assets that Trust Company supports may change from time to time. Prior to initiating a deposit of Digital Asset to Trust Company, Client must confirm that Trust Company offers Custodial Services for that specific Digital Asset. By initiating a deposit of Digital Asset to a Custodial Account, Client attests that Client has confirmed that the Digital Asset being transferred is a supported Digital Asset offered by Trust Company. Under no circumstances should Client attempt to use the Custodial Services to deposit or store Digital Assets in any forms that are not supported by Trust Company. Depositing or attempting to deposit Digital Assets that are not supported by Trust Company will result in such Digital Asset being unretrievable by Client and Trust Company. Trust Company assumes no obligation or liability whatsoever regarding any unsupported Digital Asset sent or attempted to be sent to it, or regarding any attempt to use the Custodial Services for Digital Assets that Trust Company does not support. To confirm which Digital Assets are supported by Trust Company, Client should login at <https://custody.coinbase.com> and carefully review the list of supported Digital Assets. Trust Company recommends that Client deposit a small amount of supported Digital Asset as a test prior to initiating a deposit of a significant amount of supported Digital Asset. Trust Company may from time to time determine types of Digital Asset that will be supported or cease to be supported by the Custodial Services. Trust Company shall provide Client with thirty (30) days' written notice before ceasing to support a Digital Asset, unless Trust Company is required to cease such support by court order, statute, law, rule (including a self-regulatory organization rule), regulation, code, or other similar requirement, in which case written notice shall be provided as soon as reasonably practicable.

3.7. Advanced Protocols. Unless specifically announced on the Trust Company website or through some other official public statement of Trust Company, Trust Company does not support airdrops, metacoins, colored coins, side chains, or other derivative, enhanced, or forked protocols, tokens, or coins which supplement or interact with a Digital Asset supported by Trust Company (collectively, "**Advanced Protocols**"). Client shall not use its Custodial Account to attempt to receive, request, send, store, or engage in any other type of transaction involving an Advanced Protocol. The Trust Company platform is not configured to detect and/or secure Advanced Protocol transactions, and Trust Company assumes absolutely no responsibility whatsoever in respect to Advanced Protocols.

Certain confidential information contained in this document, marked by [**], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.

3.8. Operation of Digital Asset Protocols. Trust Company does not own or control the underlying software protocols which govern the operation of Digital Assets supported on the Trust Company platform. In general, the underlying protocols are open source and anyone can use, copy, modify, and distribute them. By using the Custodial Services, Client acknowledges and agrees (i) that Trust Company is not responsible for operation of the underlying protocols and that Trust Company makes no guarantee of their functionality, security, or availability; and (ii) that the underlying protocols are subject to sudden changes in operating rules (a/k/a “forks”), and that such forks may materially affect the value, function, and/or even the name of the Digital Asset Client stores in Client’s Custodial Account. In the event of a fork, Client agrees that Trust Company may temporarily suspend Trust Company operations; provided that Trust Company shall (where practical) provide advance written notice to Client promptly upon becoming aware of such a potential suspension, and that Trust Company may, in its sole discretion, decide whether or not to support (or cease supporting) either branch of the forked protocol entirely; provided that Trust Company will never cease supporting both branches of such forked protocol, unless there is a potential security risk or regulatory or legal risk. Client acknowledges and agrees that Trust Company assumes absolutely no responsibility whatsoever in respect of an unsupported branch of a forked protocol.

3.9. Use of the Custodial Services. Client acknowledges and agrees that Trust Company may monitor use of the Custodial Account and the Custodial Services and the resulting information may only be utilized, reviewed, retained and or disclosed by Trust Company as is necessary for its internal purposes or in accordance with the rules of any applicable legal, regulatory or self-regulatory organization or as otherwise may be required to comply with relevant law, sanctions programs, legal process or government request.

3.10. Security. Trust Company has implemented and will maintain a reasonable information security program that includes policies and procedures that are reasonably designed to safeguard Trust Company’s electronic systems and Client’s Confidential Information from, among other things, unauthorized access or misuse. In the event of a Data Security Event (defined below), Trust Company shall promptly (subject to any legal or regulatory requirements) notify Client in writing at the email addresses listed opposite each Authorized Representative’s name on Schedule B and such notice shall include the following information: (i) the timing and nature of the Data Security Event, (ii) the information related to Client that was compromised, including the names of any individuals’ acting on Client’s behalf in his or her corporate capacity whose personal information was compromised, (iii) when the Data Security Event was discovered, and (iv) remedial actions that have been taken and that Trust Company plans to take. “**Data Security Event**” is defined as any event whereby (a) an unauthorized person (whether within Trust Company or a third party) acquired or accessed Client’s information, (b) Client’s information is otherwise lost, stolen or compromised or (c) Trust Company’s Chief Information Security Officer, or other senior security officer of a similar title, is no longer employed by Trust Company.

3.11. Confidentiality. The parties agree that the recipient of any non-public, confidential or proprietary information of the other party (including without limitation, information concerning any purchaser of any securities issued by the Grayscale Investment Product (each a “**Beneficiary**”) (including, without limitation, the identity of such Beneficiary, the fact that such Beneficiary is the beneficial owner of any Digital Assets, any information concerning its securities or cash positions, any banking or other

relationships between Trust Company and such Beneficiary or any information from which any such information could be derived by a third party), the contents of any document or other information (including, without limitation, any information relating to, or transactions involving, Digital Assets, trade secrets or other confidential commercial information), and information with respect to profit margins, and profit and loss information) and information relating to the other party's business operations or business relationships or pursuant to this Agreement, including without limitation the pricing schedule ("**Confidential Information**") will not disclose such Confidential Information to any third party except to such party's officers, directors, agents, employees, consultants, contractors and professional advisors who needs to know the Confidential Information for the purpose of assisting in the performance of the Agreement and who are informed of, and agree to be bound by obligations of confidentiality no less restrictive than those set forth herein, and will protect such Confidential Information from unauthorized use and disclosure. Each party shall use any Confidential Information that it receives pursuant to or in connection with this Agreement solely for performance of this Agreement, and no other purpose. Confidential Information shall not include any (i) information that is or becomes generally publicly available through no fault of the recipient, (ii) information that the recipient obtains from a third party (other than in connection with this Agreement) that, to recipient's best knowledge, is not bound by a confidentiality agreement prohibiting such disclosure; (iii) information that is independently developed or acquired by the recipient without the use of Confidential Information provided by the disclosing party; (iv) disclosure with the prior written consent of the disclosing party; or (v) disclosures which are required by applicable law, rule or regulation.

Notwithstanding the foregoing, each party may disclose Confidential Information of the other party to the extent required by a court of competent jurisdiction or governmental authority or otherwise required by law; provided, however, the party making such required disclosure shall first notify the other party (to the extent legally permissible) and shall afford the other party a reasonable opportunity to seek confidential treatment if it wishes to do so, except that no such notification shall be required for disclosure pursuant to request or regular or routine inspection by a governmental or regulatory agency. For the purposes of this Agreement, no affiliate of either party shall be considered a third party; provided that such party causes such affiliate to undertake the obligations in this section. All documents and other tangible objects containing or representing Confidential Information and all copies or extracts thereof or notes derived therefrom that are in the possession or control of recipient shall be and remain the property of the disclosing party and shall be promptly returned to the disclosing party or destroyed, each upon the disclosing party's request; provided, however, notwithstanding the foregoing, the recipient may retain one (1) copy of Confidential Information if (a) required by law or regulation, or (b) retained pursuant to a bona fide and consistently applied document retention policy or regular backup of data storage systems; provided, further, that in either case, any Confidential Information so retained shall remain subject to the confidentiality obligations of this Agreement. For the avoidance of doubt, the parties acknowledge that the existence and terms of this Agreement are Confidential Information, but subject to Section 4.1.2, this Agreement may be disclosed by the Client to investors or the public as required by its investment activities.

Trust Company shall not contact or communicate with any Beneficiary concerning the services provided under this Agreement without the prior written consent of Client, except as required by law, legal process or regulation.

3.12. Account Statements. Trust Company will provide Client with an electronic account statement: (1) every calendar quarter, at a minimum; or (2) for any month in which Client deposited or withdrew Digital Assets. Each account statement will identify the amount of each Digital Asset in Client's Custodial Account at the end of the period and set forth all transactions in Client's account during that period. Trust Company will send a notice to the email of record given to Trust Company when a new account statement is made available.

3.13. Independent Verification. If Client is subject to Rule 206(4)-2 under the Investment Advisers Act of 1940, Trust Company shall, upon written request, provide Client authorized independent public accountant confirmation of or access to information sufficient to confirm (i) Client's Digital Assets as of the date of an examination conducted pursuant to Rule 206(4)-2(a)(4), and (ii) Client's Digital Assets are held either in a separate account under Client's name or in accounts under Client's name as agent or trustee for Client's clients.

3.14. Third-Party Payments. The Custodial Services are not intended to facilitate third-party payments of any kind. As such, Trust Company has no control over, or liability for, the delivery, quality, safety, legality or any other aspect of any goods or services that Client may purchase or sell to or from a third party (including other users of Custodial Services) involving Digital Assets that Client intends to store, or have stored, in Client's Custodial Account.

3.15. Authorized Participants. Subject to any legal and regulatory requirements, in order to support Client's ordinary course of deposits and withdrawals, which involves, or will in the future involve, deposits from and withdrawals to Digital Asset accounts owned by a person that is an "Authorized Participant" of the Grayscale Investment Product within the meaning of an authorized participant agreement between such person and the Grayscale Investment Product (each a "**Client Authorized Participant**"), Trust Company will use commercially reasonable efforts to cooperate with Client to design and put in place via the Custodial Services a secure procedure to allow Client Authorized Participants to receive a Digital Asset address for deposits by such Client Authorized Participants, and to initiate withdrawals to Digital Asset addresses controlled by such Client Authorized Participants.

3.16. Location of Digital Assets. The Location of the Digital Assets shall be the United States. Trust Company shall acquire written approval of Client prior to changing the Location of the Digital Assets, including to a different state. "**Location**" means, with respect to any Digital Assets, the jurisdiction of the State in which Client and Trust Company deem such Digital Assets to be present.

4. GENERAL USE, PROHIBITED USE, AND TERMINATION.

4.1.1 Trust Company Site and Content. Trust Company hereby grants Client a limited, nonexclusive, nontransferable, revocable, royalty-free license, subject to the terms of this Agreement, to access and use the Trust Company Site and related content, materials, information (collectively, the "Content") solely for approved purposes as permitted by Trust Company from time to time. Any other use of the Trust Company Site or Content is expressly prohibited and all other right, title, and interest in the Trust Company Site or Content is exclusively the property of Trust Company and its licensors. Client shall not copy, transmit, distribute, sell, license, reverse engineer, modify, publish, or participate in the transfer or sale of, create derivative works from, or in any other way exploit any of the Content, in whole or in part. "custody.coinbase.com," "Coinbase," "Coinbase Custody," "Trust Company" and all logos related to the Custodial Services or displayed on the Trust Company Site are either trademarks or registered marks of Trust Company or its licensors. Client may not copy, imitate or use them without Trust Company's prior written consent.

4.1.2 Limited License of Trust Company Brand. Notwithstanding Section 6.1 of this Agreement, during the term of this Agreement Trust Company hereby grants to Client a nonexclusive, non-transferable, non-sublicensable, revocable, and royalty-free right, subject to the terms of this Agreement, to display, in accordance with Trust Company's brand guidelines, Trust Company's trademark and logo as set forth on Exhibit A hereto, or otherwise refer to its name (the "Trust Company Brand"), for the sole and limited purpose of identifying Trust Company as a provider of Custodial Services to Client on Client's website or to investors or the public, as required by its investment activities. Client may also use the Trust Company Brand in published form, including but not limited to investor or related marketing materials using only the content pre-approved by Trust Company ("Pre-Approved Marketing Content") as set forth in Exhibit A hereto. Client (1) shall not deviate from nor modify the Pre-Approved Marketing Content, except as provided in Exhibit A, and (2) shall not make any representations or warranties regarding the Custodial Services provided by Trust Company (other than factually accurate statements that Trust Company is a provider of Custodial Services). Client acknowledges that it shall not acquire any right of ownership to any Trust Company copyrights, patents, trade secrets, trademarks, trade dresses, service marks, or other intellectual property rights, and further agrees that it will cease using any materials that bear the Trust Company Brand upon termination of this Agreement. All uses of the Trust Company Brand hereunder shall inure to the benefit of Trust Company and Client shall not do or cause to be done any act or thing that may in any way adversely affect any rights of Trust Company in and to the Trust Company Brand or otherwise challenge the validity of the Trust Company Brand or any application for registration thereof, or any trademark registration thereof, or any rights therein. Notwithstanding the foregoing, Trust Company shall retain the right to request that Client modify or terminate its use of the Trust Company Brand if Trust Company, in its sole and absolute discretion, disapproves of Client's use of the Trust Company Brand.

4.2. [Reserved.]

4.3. Third-Party or Non-Permissioned Use. Except for fund administrators, Client shall not grant permission to a third party or non-permissioned user to access or connect to Client's Custodial Account, either through the third party's product or service or through the Trust Company Site. Client acknowledges that granting permission to a third party or non-permissioned user to take specific actions on Client's behalf does not relieve Client of any of Client's responsibilities under this Agreement and may violate the terms of this Agreement. Client is fully responsible for all acts or omissions of any third party or non-permissioned user with access to Client's Custodial Account, other than Trust Company. Further, Client acknowledges and agrees that Client will not hold Trust Company responsible for, and will indemnify Trust Company from, any liability arising out of or related to any act or omission of any third party or non-permissioned user with access to Client's Custodial Account, except to the extent of Trust Company's fraud, gross negligence or willful misconduct. Client must notify Trust Company immediately after becoming aware of a third party or non-permissioned user accessing or connecting to Client's Custodial Account by contacting Client's Custodial Account representative or by emailing custody@coinbase.com from the email address associated with Client's Custodial Account, unless Client reasonably believes such notification to be an additional security risk, in which case Client shall notify Trust Company promptly as soon as such notification would no longer be a security risk.

4.4. Prohibited Use. Client represents and warrants that Client will not use the Custodial Services or Custodial Account for any Prohibited Use as set forth on Appendix 1 hereto.

4.5.1 Termination During the Initial Term. During the Initial Term, either party may terminate this Agreement for Cause (as defined below) at any time by written notice to the other party, effective immediately, or on such later date as may be specified in the notice.

“Cause” is defined as if:

- (i) such other party commits any material breach of any of its obligations under this Agreement;
- (ii) such other party is adjudged bankrupt or insolvent, or there is commenced against such party a case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or such party files an application for an arrangement with its creditors, seeks or consents to the appointment of a receiver, administrator or other similar official for all or any substantial part of its property, admits in writing its inability to pay its debts as they mature, or takes any corporate action in furtherance of any of the foregoing, or fails to meet applicable legal minimum capital requirements; or
- (iii) with respect to Client’s right to terminate, any applicable law, rule or regulation or any change therein or in the interpretation or administration thereof has or may have a material adverse effect on Client or the rights of Client or any Beneficiary with respect to any services covered by this Agreement.

4.5.2 Termination After the Initial Term. After the Initial Term, either party may terminate this Agreement (i) upon ninety (90) days’ prior written notice to the other party and (ii) for Cause at any time by written notice to the other party, effective immediately, or on such later date as may be specified in the notice.

4.5.3 Renewal. Upon the expiry of the Initial Term, this Agreement shall automatically renew for successive terms of one (1) year (each a “Renewal Term”), unless either party elects not to renew, by providing no less than thirty (30) days’ written notice to the other party prior to the expiration of the Initial Term or the then-current Renewal Term, or unless terminated earlier as provided herein.

Notwithstanding the foregoing, Client may cancel Client’s Custodial Account at any time by withdrawing all balances and contacting Trust Company at custody@coinbase.com. Client will not be charged for canceling Client’s Custodial Account, although Client will be required to pay any outstanding amounts owed to Trust Company for the remaining months of the Initial Term at a rate equivalent to the average Fee paid for the months prior to Client’s cancellation. Client authorizes Trust Company to cancel or suspend any pending deposits or withdrawals at the time of cancellation. Upon termination of this Agreement, Trust Company shall promptly upon Client’s order deliver or cause to be delivered to Client all Digital Assets held or controlled by Trust Company as of the effective date of termination, together with such copies of the records maintained pursuant to Section 9.1 and as Client requests in writing.

4.6. Suspension, Termination, and Cancellation. Trust Company may: (a) suspend or restrict Client’s access to the Custodial Services, and/or (b) deactivate, terminate or cancel Client’s Custodial Account if:

- Trust Company is so required by a facially valid subpoena, court order, or binding order of a government authority;
- Client uses Client’s Custodial Account in connection with a Prohibited Use or Prohibited Business, as set forth in Appendix 1 hereto;

- Client's Custodial Account activity results in a heightened risk of legal or regulatory non-compliance associated with Client's Custodial Account;
- Client circumvents Trust Company's controls, including, but not limited to, opening multiple Custodial Accounts, abusing promotions which Trust Company may offer from time to time, or otherwise making a material misrepresentation of Client's Custodial Account; or
- Client materially breaches the terms of this Agreement.

Except as set forth above, Trust Company shall not suspend Client's access to the Custodial Account, and any suspension of Client's access to the Custodial Account shall constitute a breach of this Agreement.

If Trust Company suspends or closes Client's Custodial Account, or terminates Client's use of the Custodial Services for the reasons listed above, Trust Company will provide Client with notice of Trust Company's actions unless a court order or other legal or regulatory process prohibits Trust Company from providing Client with such notice. Client acknowledges that Trust Company's decision to take certain actions described in this Section 4.6 may be based on confidential criteria that are essential to Trust Company's risk management and security protocols. Client agrees that Trust Company is under no obligation to disclose the details of its risk management and security procedures to Client.

Client will be permitted to withdraw Digital Assets associated with Client's Custodial Account for ninety (90) days after Custodial Account deactivation or cancellation unless such withdrawal is otherwise prohibited (i) under the law, including but not limited to applicable sanctions programs, or (ii) by a facially valid subpoena, court order, or binding order of a government authority.

4.7. Relationship of the Parties. Nothing in this Agreement shall be deemed or is intended to be deemed, nor shall it cause, Client and Trust Company to be treated as partners, joint ventures, or otherwise as joint associates for profit, or either Client or Trust Company to be treated as the agent of the other.

4.8. Password Security; Contact Information. Client is responsible for maintaining adequate security and control of any and all IDs, passwords, hints, personal identification numbers (PINs), API keys or any other codes that Client uses to access the Custodial Services. Any loss or compromise of the foregoing information and/or Client's personal information may result in unauthorized access to Client's Custodial Account by third-parties and the loss or theft of any Digital Assets held in Client's Custodial Account. Client is responsible for keeping Client's email address and telephone number up to date in Client's Custodial Account profile in order to receive any notices or alerts that Trust Company may send Client. Trust Company **assumes no responsibility for any loss that Client may sustain due to compromise of Custodial Account login credentials due to no fault of Trust Company and/or failure to reasonably follow or act on any notices or alerts that Trust Company may send to Client in accordance with this Agreement.** In the event Client believes Client's Custodial Account information has been compromised, Client must contact Trust Company Support immediately at custody@coinbase.com.

4.9. Taxes. It is Client's sole responsibility to determine whether, and to what extent, any taxes apply to any deposits or withdrawals Client conducts through the Custodial Services, and to withhold, collect, report and remit the correct amounts of taxes to the appropriate tax authorities. Client's deposit and withdrawal history is available by accessing Client's Custodial Account through the Trust Company Site or by contacting Client's account representative.

4.10. Additional Matters. Client acknowledges and agrees that the Custodial Services may be provided from time to time by, through or with the assistance of affiliates of or vendors to Trust Company. Client shall receive notice of any material change in the entities that provide the Custodial Services. Unless Client terminates this Agreement as permitted herein, any new agreements or amended terms and conditions, associated with such change shall be governed by Sections 8.2 and 8.3 herein.

5. TRUST COMPANY CONTACT INFORMATION AND DISPUTE RESOLUTION.

5.1. Contact Trust Company; Complaints. If Client has any feedback, questions, or complaints, Client may contact Trust Company Customer Support, located at 200 Park Avenue South, Suite 1208, New York, NY 10003, via email at custody@coinbase.com or by telephone to Trust Company at +1 (646) 760-6195.

If Client is a customer of Trust Company in the United States, Client may also direct a complaint to the attention of: New York State Department of Financial Services, One State Street, New York, NY 10004-1511; +1 (212) 480-6400. Please visit www.dfs.ny.gov for additional information.

5.2. Arbitration. THE PARTIES AGREE AS FOLLOWS:

- ALL PARTIES TO THIS AGREEMENT ARE GIVING UP THE RIGHT TO SUE EACH OTHER IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY, EXCEPT AS PROVIDED BY THE RULES OF THE ARBITRATION FORUM IN WHICH A CLAIM IS FILED.
- ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.
- THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS.
- THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD UNLESS, IN AN ELIGIBLE CASE, A JOINT REQUEST FOR AN EXPLAINED DECISION HAS BEEN SUBMITTED BY ALL PARTIES TO THE PANEL AT LEAST TWENTY (20) DAYS PRIOR TO THE FIRST SCHEDULED HEARING DATE.
- THE PANEL OF ARBITRATORS MAY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.
- THE RULES OF SOME ARBITRATION FORUMS MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION MAY BE BROUGHT IN COURT.
- THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED INTO THIS AGREEMENT.

THE PARTIES AGREE THAT ALL CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE USE OF THE CUSTODIAL SERVICES, WHETHER ARISING PRIOR, ON, OR SUBSEQUENT TO THE DATE HEREOF, SHALL BE ARBITRATED. ANY

ARBITRATION UNDER THIS AGREEMENT SHALL BE IN ACCORDANCE WITH THE AMERICAN ARBITRATION ASSOCIATION'S RULES FOR ARBITRATION OF COMMERCIAL RELATED DISPUTES (ACCESSIBLE AT [HTTPS://WWW.ADR.ORG/SITES/DEFAULT/FILES/COMMERCIAL%20RULES.PDF](https://www.adr.org/sites/default/files/commercial%20rules.pdf)), AND THAT SUCH CONTROVERSIES ARE OTHERWISE SUBJECT TO SECTION 5.2 OF THIS AGREEMENT.

6. REPRESENTATIONS AND WARRANTIES.

6.1. Client's Representations and Warranties. In addition to the obligations arising under this Agreement and as a condition of and in consideration of Client accessing the Custodial Services, Client represents and warrants the following:

- (i) Client operates, to Client's best knowledge, in material compliance with all applicable laws, rules, and regulations in each jurisdiction in which Client operates, including U.S. securities laws and regulations, as well as any applicable state and federal laws, including, but not limited to, U.S. efforts to fight the funding of terrorism and money laundering, and USA PATRIOT Act and Bank Secrecy Act requirements. Client further understands that any fines or penalties imposed on Trust Company as a result of a violation by Client of any applicable securities regulation or law may, at Trust Company's discretion, be passed on to Client and Client acknowledges and represents that Client will be responsible for payment to Trust Company of such fines;
- (ii) To its best knowledge, Client is currently in good standing with all relevant government agencies, departments, regulatory or supervisory bodies in all relevant jurisdictions in which Client does business and Client will immediately notify Trust Company if Client ceases to be in good standing with any regulatory authority;
- (iii) Client will reasonably cooperate with Trust Company to provide information as Trust Company may reasonably request from time to time regarding (a) Client's policies, procedures, and activities which relate to the Custodial Services in any manner, as determined by Trust Company in its reasonable discretion, and (b) any transaction which involves the use of the Custodial Services, to the extent reasonably necessary to comply with applicable law, or the guidance or direction of, or request from, any regulatory authority or financial institution, provided that such information may be redacted to remove confidential commercial information not relevant to the requirements of this Agreement;
- (iv) Client will not deposit to a Custodial Account any Digital Asset that is not supported by the Custodial Services;
- (v) Client either owns or possesses lawful authorization to transact with all Digital Assets involved in the Custody Transactions;
- (vi) Subject to Section 4.1.2, Client will not make any public statement, including any press release, media release, or blog post which mentions or refers to Trust Company or a partnership between Client and Trust Company, without the prior written consent of Trust Company;
- (vii) Client will not create or use more than one Custodial Account;
- (viii) Client has the full capacity and authority to enter into and be bound by this Agreement and the person executing or otherwise accepting this Agreement for Client has full legal capacity and authorization to do so; and
- (ix) All information provided by Client to Trust Company in the course of negotiating this Agreement and the onboarding of Client as Trust Company's customer and user of the Custodial Services is complete, true, and accurate in all material respects, and no material information has been excluded.

6.2. Trust Company Representations and Warranties. In addition to the obligations arising under this Agreement and as a condition of and in consideration of Client's obligations under this Agreement, Trust Company represents and warrants the following:

- (i) Trust Company operates, to Trust Company's best knowledge, in material compliance with all applicable laws, rules, and regulations in each jurisdiction in which Trust Company operates, including U.S. securities laws and regulations, as well as any applicable state and federal laws, including, but not limited to, U.S. efforts to fight the funding of terrorism and money laundering, and USA PATRIOT Act and Bank Secrecy Act requirements. Trust Company further understands that any fines or penalties imposed on Client directly as a result of Trust Company's breach of the representations and warranties in this Agreement may, at Client's discretion, be passed on to Trust Company and Trust Company acknowledges and represents that Trust Company will be responsible for payment to Client of such fines;
- (ii) To its best knowledge, Trust Company is currently in good standing with all relevant government agencies, departments, regulatory or supervisory bodies in all relevant jurisdictions in which Trust Company does business, and Trust Company will immediately notify Client if Trust Company ceases to be in good standing with any regulatory authority;
- (iii) Trust Company will safekeep the Digital Assets and segregate all Digital Assets from both the (a) property of Trust Company, and (b) assets of other customers of Trust Company;
- (iv) Trust Company is a custodian of the Digital Assets stored by Client in the Custodial Account, has no right, interest, or title in such Digital Assets, and will not reflect such Digital Assets as an asset on the balance sheet of the Trust Company;
- (v) Trust Company will not, directly or indirectly, lend, pledge, hypothecate or re-hypothecate any Digital Assets;
- (vi) Except as directed by Client, Trust Company does not engage in any fractional reserve banking in connection with Client's Custodial Account, and, as such, none of the Digital Assets in Client's Custodial Account will be used by Trust Company in connection with any loan, hypothecation, lien (including, but not limited to, any mortgage, deed of trust, pledge, charge, security interest, attachment, encumbrance or other adverse claim of any kind in respect of such Digital Assets) or claim of (or by) Trust Company or otherwise transferred or pledged to any third party, without the written agreement of Client;
- (vii) Trust Company will maintain adequate capital and reserves to the extent required by applicable law;
- (viii) Trust Company possess, and will maintain, all consents, permits, licenses, registrations, authorizations, approvals and exemptions required by any governmental agency, regulatory authority or other party necessary for it to operate its business and engage in the business relating to its provision of the Custodial Services;
- (ix) Trust Company has the full capacity and authority to enter into and be bound by this Agreement and the person executing or otherwise accepting this Agreement for Trust Company has full legal capacity and authorization to do so; and
- (x) All written information provided by Trust Company to Client in the course of negotiating this Agreement and the onboarding of Client as Trust Company's customer and user of the Custodial Services is complete, true, and accurate in all material respects, and no material information has been excluded.

6.3. Notification of Adverse Change. Trust Company shall immediately notify Client if, at any time after the date of this Agreement, any of the representations, warranties under Section 6.2 and covenants made by Trust Company under this Agreement materially fail to be true and correct as if made at and as of such time. Trust Company shall describe in reasonable detail such representation, warranty or covenant affected, the circumstances giving rise to such failure and the steps Trust Company has taken or proposes to take to rectify such failure.

7. DISCLAIMERS; INDEMNIFICATION; LIMITATION OF LIABILITY.

7.1. Computer Viruses. Trust Company shall not bear any liability, whatsoever, for any damage or interruptions caused by any computer viruses, spyware, scareware, Trojan horses, worms or other malware that may affect Client's computer or other equipment, or any phishing, spoofing or other attack, unless such damage or interruption originated from Trust Company due to its gross negligence, fraud, willful misconduct or breach of this Agreement. Client should always log into Client's Custodial Account through the Trust Company Site to review any deposits or withdrawals or required actions if Client has any uncertainty regarding the authenticity of any communication or notice.

7.2. [Reserved.]

7.3. Indemnification.

Client agrees to indemnify and hold Trust Company, its affiliates and service providers, and each of its or their respective officers, directors, agents, joint venturers, employees and representatives, harmless from any third-party claim or third-party demand (including reasonable and documented attorneys' fees and any fines, fees or penalties imposed by any regulatory authority) arising out of or related to Client's breach of this Agreement, inaccuracy in any of Client's representations or warranties in this Agreement, or Client's violation of any law, rule or regulation, or the rights of any third party, except where such claim directly results from the gross negligence, fraud or willful misconduct of Trust Company.

Trust Company agrees to indemnify and hold Client, its affiliates and service providers, and each of its or their respective officers, directors, agents, joint venturers, employees and representatives, harmless from any third-party claim or third-party demand (including reasonable and documented attorneys' fees and any fines, fees or penalties imposed by any regulatory authority) arising out of or related to Trust Company's breach of this Agreement, inaccuracy in any of Trust Company's representations or warranties in this Agreement, or Trust Company's knowing violation of any law, rule or regulation, or the rights of any third party, except where such claim directly results from the gross negligence, fraud or willful misconduct of Client;

7.4. Limitation of Liability; No Warranty. IN NO EVENT SHALL EITHER PARTY, ITS AFFILIATES AND SERVICE PROVIDERS, OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, JOINT VENTURERS, EMPLOYEES OR REPRESENTATIVES, BE LIABLE (A) FOR ANY AMOUNT GREATER THAN THE VALUE OF THE SUPPORTED DIGITAL ASSETS ON DEPOSIT IN CLIENT'S TRUST COMPANY CUSTODIAL ACCOUNT AT THE TIME OF, AND DIRECTLY RELATING TO, THE EVENTS GIVING RISE TO THE LIABILITY OCCURRED, THE VALUE OF WHICH SHALL BE DETERMINED IN ACCORDANCE WITH THE TERMS SET FORTH IN THE FEE SCHEDULE GOVERNING VALUATION OF THE SUPPORTED DIGITAL ASSET(S), (B) FOR ANY LOST PROFITS OR ANY SPECIAL, INCIDENTAL, INDIRECT, INTANGIBLE, OR CONSEQUENTIAL DAMAGES, WHETHER BASED IN CONTRACT, TORT,

NEGLIGENCE, STRICT LIABILITY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH AUTHORIZED OR UNAUTHORIZED USE OF THE TRUST COMPANY SITE OR THE TRUST COMPANY CUSTODIAL SERVICES, OR THIS AGREEMENT, EVEN IF AN AUTHORIZED REPRESENTATIVE OF TRUST COMPANY HAS BEEN ADVISED OF OR KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES. THIS MEANS, BY WAY OF EXAMPLE ONLY (AND WITHOUT LIMITING THE SCOPE OF THE PRECEDING SENTENCE), THAT IF CLIENT CLAIMS THAT TRUST COMPANY FAILED TO PROCESS A DEPOSIT OR WITHDRAWAL PROPERLY, CLIENT'S DAMAGES ARE LIMITED TO NO MORE THAN THE VALUE OF THE SUPPORTED DIGITAL ASSETS AT ISSUE IN THE DEPOSIT OR WITHDRAWAL, AND THAT CLIENT MAY NOT RECOVER FOR LOST PROFITS, LOST BUSINESS OPPORTUNITIES, OR OTHER TYPES OF SPECIAL, INCIDENTAL, INDIRECT, INTANGIBLE, OR CONSEQUENTIAL DAMAGES IN EXCESS OF THE VALUE OF THE SUPPORTED DIGITAL ASSETS AT ISSUE IN THE DEPOSIT OR WITHDRAWAL. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OR LIMITATION OF INCIDENTAL OR CONSEQUENTIAL DAMAGES SO THE ABOVE LIMITATION MAY NOT APPLY TO CLIENT.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING PARAGRAPH, TRUST COMPANY SHALL BE LIABLE TO CLIENT FOR THE LOSS OF ANY DIGITAL ASSETS ON DEPOSIT IN CLIENT'S TRUST COMPANY CUSTODIAL ACCOUNT TO THE EXTENT THAT TRUST COMPANY CAUSED SUCH LOSS (INCLUDING IF CLIENT IS NOT ABLE TO TIMELY WITHDRAW DIGITAL ASSETS FROM THE ACCOUNT, ACCORDING TO SECTION 3), EVEN IF TRUST COMPANY MEETS ITS DUTY OF EXERCISING BEST EFFORTS AS SET FORTH IN THIS AGREEMENT, AND TRUST COMPANY SHALL BE REQUIRED TO RETURN TO CLIENT A QUANTITY EQUAL TO THE QUANTITY OF ANY SUCH LOST DIGITAL ASSETS.

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE TRUST COMPANY CUSTODIAL SERVICES ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS WITHOUT ANY REPRESENTATION OR WARRANTY, WHETHER EXPRESS, IMPLIED OR STATUTORY. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, TRUST COMPANY SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTIES OF TITLE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND/OR NON-INFRINGEMENT. EXCEPT AS PROVIDED HEREIN, TRUST COMPANY DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES THAT ACCESS TO THE SITE, ANY PART OF THE TRUST COMPANY CUSTODIAL SERVICES, OR ANY OF THE MATERIALS CONTAINED THEREIN, WILL BE CONTINUOUS, UNINTERRUPTED, OR TIMELY; OR BE COMPATIBLE OR WORK WITH ANY SOFTWARE, SYSTEM OR OTHER SERVICES; OR BE SECURE, COMPLETE, FREE OF HARMFUL CODE, OR ERROR-FREE.

IN ADDITION TO THE LIMITATIONS SPECIFIED ABOVE, FOR SO LONG THAT A COLD STORAGE ADDRESS HOLDS AN EXCESS OF ONE HUNDRED MILLION US DOLLARS (US\$100,000,000) (THE "COLD STORAGE THRESHOLD") FOR A PERIOD OF FIVE (5) CONSECUTIVE BUSINESS DAYS OR MORE WITHOUT BEING REDUCED TO THE COLD STORAGE THRESHOLD OR LOWER, TRUST COMPANY'S MAXIMUM LIABILITY FOR SUCH COLD STORAGE ADDRESS SHALL BE LIMITED TO THE COLD STORAGE THRESHOLD. AS A BEST PRACTICE, TRUST COMPANY RECOMMENDS LIMITING THE VALUE OF DIGITAL ASSETS DEPOSITED IN EACH COLD STORAGE ADDRESS TO LESS THAN EIGHTY MILLION US DOLLARS (US\$80,000,000). IF ELECTED BY CLIENT, AT NO ADDITIONAL COST TO

CLIENT, TRUST COMPANY WILL PROVIDE CLIENT WITH ALL NECESSARY ASSISTANCE TO IMPLEMENT SUCH LIMITATIONS, INCLUDING NOTIFYING CLIENT IN WRITING IF THE VALUE OF DIGITAL ASSETS DEPOSITED IN A COLD STORAGE ADDRESS EXCEEDS THE COLD STORAGE THRESHOLD.

7.5 Liability of the Sponsor. It is expressly understood and agreed by the parties hereto that:

- (i) this Agreement is executed and delivered on behalf of the Grayscale Investment Product by the Sponsor, not individually or personally, but solely as Sponsor of the Grayscale Investment Product in the exercise of the powers and authority conferred and vested in it;
- (ii) the representations, covenants, undertakings and agreements herein made on the part of the Grayscale Investment Product are made and intended not as personal representations, undertakings and agreements by the Sponsor but are made and intended for the purpose of binding only the Grayscale Investment Product;
- (iii) nothing herein contained shall be construed as creating any liability on the Sponsor, individually or personally, to perform any covenant of the Grayscale Investment Product either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto; and
- (iv) under no circumstances shall the Sponsor be personally liable for the payment of any indebtedness or expenses of the Grayscale Investment Product or be liable for the breach or failure of any obligation, duty, representation warranty or covenant made or undertaken by the Grayscale Investment Product under this Agreement or any other related document.

8. MISCELLANEOUS.

8.1. Entire Agreement. This Agreement and any addendum or attachments thereto comprise the entire understanding and agreement between Client and Trust Company as to the Custodial Services, and supersedes any and all prior discussions, agreements and understandings of any kind (including without limitation any prior versions of this Agreement), and every nature between and among Client and Trust Company. Section headings in this Agreement are for convenience only and shall not govern the meaning or interpretation of any provision of this Agreement.

8.2. Amendments. Any modification or addition to this Agreement must be in a writing signed by a duly authorized representative of each of party. Client agrees that Trust Company shall not be liable to Client or any third party for any modification or termination of the Custodial Services, or suspension or termination of Client's access to the Custodial Services, except to the extent otherwise expressly set forth herein.

8.3. Assignment. Client may not assign any rights and/or licenses granted under this Agreement without the prior written consent of Trust Company. Trust Company reserves the right to assign its rights without restriction except notice to Client, including without limitation to any Trust Company affiliates or subsidiaries, or to any successor in interest of any business associated with the Custodial Services. Any attempted transfer or assignment in violation hereof shall be null and void. Subject to the foregoing, this Agreement will bind and inure to the benefit of the parties, their successors and permitted assigns.

8.4. Severability. If any provision of this Agreement shall be determined to be invalid or unenforceable under any rule, law, or regulation or any governmental agency (local, state, or federal), such provision will be changed and interpreted to accomplish the objectives of the provision to the greatest extent possible under any applicable law and the validity or enforceability of any other provision of this Agreement shall not be affected.

8.5. Survival. All provisions of this Agreement which by their nature extend beyond the expiration or termination of this Agreement, including, without limitation, sections pertaining to suspension or termination, Custodial Account cancellation, debts owed to Trust Company, general use of the Trust Company Site, disputes with Trust Company, and general provisions, shall survive the termination or expiration of this Agreement.

8.6. Governing Law. Client agrees that the laws of the State of New York, without regard to principles of conflict of laws, will govern this Agreement and any claim or dispute that has arisen or may arise between Client and Trust Company, except to the extent governed by federal law.

8.7. Force Majeure. Trust Company shall not be liable for delays, suspension of operations, whether temporary or permanent, failure in performance, or interruption of service which result directly or indirectly from any cause or condition beyond the reasonable control of Trust Company, including but not limited to, any delay or failure due to any act of God, natural disasters, act of civil or military authorities, act of terrorists, including but not limited to cyber-related terrorist acts, hacking, government restrictions, exchange or market rulings, civil disturbance, war, strike or other labor dispute, fire, interruption in telecommunications or Internet services or network provider services, failure of equipment and/or software, other catastrophe or any other occurrence which is beyond the reasonable control of Trust Company and shall not affect the validity and enforceability of any remaining provisions. For the avoidance of doubt, a cybersecurity attack, hack or other intrusion by a third party or by someone associated with Trust Company is not a circumstance that is beyond Trust Company's reasonable control, to the extent due to Trust Company's failure to comply with its obligations under this Agreement.

8.8. Non-Waiver of Rights. This agreement shall not be construed to waive rights that cannot be waived under applicable laws in the jurisdiction where Client is located.

8.9. Notices. All notices, requests and other communications to any party hereunder not covered by the Communications described in Appendix 2 hereto shall be in writing (including facsimile transmission and electronic mail ("**email**") transmission, so long as a receipt of such e-mail is requested and received) and shall be given,

if to Client, to:

Grayscale Investments, LLC
250 Park Avenue South, 5th Floor
New York, NY 10003
Attention: Michael Sonnenshein
E-mail: michael@grayscale.co

to the extent notice must be given to Grayscale Investment Product and Sponsor separately,

if to the Grayscale Investment Product, to:

Grayscale Horizen Trust (ZEN)
250 Park Avenue South, 5th Floor
New York, NY 10003
Attention: Managing Director of Grayscale Investments, LLC
E-mail: michael@grayscale.co

if to Sponsor, to:

Grayscale Investments, LLC
250 Park Avenue South, 5th Floor
New York, NY 10003
Attention: Managing Director of Grayscale Investments, LLC
E-mail: michael@grayscale.co

if to Trust Company, to:

Coinbase Custody Trust Company, LLC
200 Park Avenue South, Suite 1208
New York, NY 10003
E-mail: legal@coinbase.com

With a copy to

Coinbase Custody Trust Company, LLC
c/o Coinbase, Inc.
548 Market Street, #23008,
San Francisco, CA 94104

or such other address as such party may hereafter specify for the purpose by notice to the other parties hereto. Each of the foregoing addresses shall be effective unless and until notice of a new address is given by the applicable party to the other parties in writing. Notice will not be deemed to be given unless it has been received.

9. TRUST COMPANY OBLIGATIONS.

9.1. Bookkeeping. Trust Company will keep timely and accurate records as to the deposit, disbursement, investment, and reinvestment of the Digital Assets. Trust Company will maintain accurate records and bookkeeping of the Custodial Services as required by applicable law and in accordance with Trust Company's internal document retention policies, but in no event for less than seven years.

9.2. Annual Certificate and Report

- (i) Upon request of Client, which request shall occur no more than once per calendar year, Trust Company shall deliver to Client a certificate signed by a duly authorized officer, which certificate shall:
 - A. certify that Trust Company has complied, and is in compliance currently, with the provisions of this Agreement during the preceding calendar year; and

- B. certify that the representations and warranties of Trust Company contained in Section 6.2 of this Agreement are true and correct on and as of the date of such certificate, and have been true and correct throughout the preceding year.
- (ii) For year 2020, and thereafter, no more than once per calendar year, Client shall be entitled to request that Trust Company produce or commission a new Services Organization Controls (“SOC”) 1 report and SOC 2 report, and promptly deliver to Client a copy thereof by December 31 of each year. Trust Company reserves the right to combine the SOC 1 and SOC 2 reports into a comprehensive report. In the event that Trust Company does not deliver a SOC 1 Report or SOC 2 Report, as applicable, Client shall be entitled to terminate this Agreement.
- (iii) [*****]

9.3. Inspection and Auditing.

- (i) *Inspection and Auditing of Trust Company.* To the extent Trust Company may legally do so, it shall permit Client’s auditors or third-party accountants, upon reasonable notice, to inspect, take extracts from and audit the records maintained pursuant to Section 9.1, take such steps as necessary to verify that satisfactory internal control system and procedures are in place, and visit and inspect the systems on which the Digital Assets are held, all at such times as Client may reasonably request. Client shall reimburse Trust Company (A) for all reasonable expenses incurred in connection with this Section 9.3, and (B) for reasonable time spent by Trust Company’s employees or consultant in connection with this Section 9.3 at reasonable hourly rates to be agreed upon by Client and Trust Company.
- (ii) *Trust Company Audit Reports.* Trust Company shall, as soon as reasonably practicable after receipt of any audit report prepared by its internal or independent auditors pursuant to Trust Company’s annual audit or otherwise, provide Client a copy of such report, and if such audit report reveals any material deficiencies or makes any material objections, furnish to Client a report stating the nature of such deficiencies or such objections, and describing the steps taken or to be taken to remedy the same. Such audit report will be deemed Confidential Information of Trust Company.

9.4 Change of Control. Trust Company agrees not to consummate a transaction that would constitute a Change of Control resulting in a change of Trust Company’s name without providing at least 30 days written notice to Client.

“Change of Control” means:

- (i) the merger or consolidation of Trust Company with or into another person or the merger of another person with or into Trust Company, or the sale of all or substantially all the assets of Trust Company to another person, unless holders of a majority of the aggregate voting power of the outstanding equity securities of Trust Company, immediately prior to such transaction, hold securities of the surviving or transferee person that represent, immediately after such transaction, at least a majority of the aggregate voting power of the outstanding equity securities of the surviving or transferee person; or

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- (ii) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than 50% of the total voting power of the outstanding equity securities of Trust Company.

9.5. Material Adverse Effect. Trust Company shall give Client prompt notice of any event, occurrence, development or state of circumstances or facts that has a Material Adverse Effect. Such notice shall reasonably describe such change in business conduct, event, occurrence, development, or state of circumstances or facts.

“**Material Adverse Effect**” means a material adverse effect on:

- (i) the financial condition, business, or results of operations of Trust Company;
- (ii) Trust Company’s safekeeping of the Digital Assets; or
- (iii) Trust Company’s ability to provide the services contemplated by this Agreement.

provided, however, that none of the following, either alone or in combination, will constitute, or be considered in determining whether there has been, a Material Adverse Effect: any event, change, circumstance, effect or other matter resulting from or related to (i) any outbreak or escalation of war or major hostilities or any act of terrorism, (ii) changes in any laws, GAAP or enforcement or interpretation thereof, (iii) changes that generally affect the industries and markets in which Trust Company operates, (iv) changes in financial markets, general economic conditions (including prevailing interest rates, exchange rates, commodity prices and fuel costs) or political conditions, (v) any failure, in and of itself, of Trust Company to meet any published or internally prepared projections, budgets, plans or forecasts of revenues, earnings or other financial performance measures or operating statistics (it being understood that the facts and circumstances underlying any such failure that are not otherwise excluded from the definition of a “Material Adverse Effect” may be considered in determining whether there has been a Material Adverse Effect), or (vi) any action taken in accordance with this Agreement or at the written request of, or consented in writing to by, Client.

Any such notice of notice of a Material Adverse Effect (including the existence thereof) shall constitute the Confidential Information of Trust Company and shall be subject to the Confidentiality provisions of this Agreement.

9.6. Insurance. Trust Company has insurance coverage as a subsidiary under its parent company, Coinbase Global, Inc., which procures fidelity (aka crime) insurance to protect the organization from risks such as theft of funds.

9.7. Business Continuity Plan. Trust Company has established a business continuity plan that will support its ability to conduct business in the event of a significant business disruption (“SBD”). This plan is reviewed and updated annually, and can be updated more frequently, if deemed necessary by Trust Company in its sole discretion. Should Trust Company be impacted by an SBD, Trust Company aims to minimize business interruption as quickly and efficiently as possible. To receive more information about Trust Company’s business continuity plan, please send a written request to security@coinbase.com.

IN WITNESS WHEREOF, this Agreement is executed as of July 29, 2019.

**COINBASE CUSTODY TRUST
COMPANY, LLC**

BY: /s/ SAM MCINGVALE
NAME: SAM MCINGVALE
TITLE: CHIEF EXECUTIVE OFFICER

GRAYSCALE INVESTMENTS, LLC

BY: /s/ MICHAEL SONNENSHEIN
NAME: MICHAEL SONNENSHEIN
TITLE: MANAGING DIRECTOR

GRAYSCALE HORIZEN TRUST (ZEN)

BY: GRAYSCALE INVESTMENTS, LLC,
THE SPONSOR

BY: /s/ MICHAEL SONNENSHEIN
NAME: MICHAEL SONNENSHEIN
TITLE: MANAGING DIRECTOR

[Signature Page to Custodial Services Agreement]

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APPENDIX 1: PROHIBITED USE, PROHIBITED BUSINESSES AND CONDITIONAL USE

Prohibited Use

Client may not use Client's Custodial Account to engage in the following categories of activity ("**Prohibited Uses**"). The Prohibited Uses extend to any third party that gains access to the Custodial Services through Client's account or otherwise, regardless of whether such third party was authorized or unauthorized by Client to use the Custodial Services associated with the Custodial Account. The specific types of use listed below are representative, but not exhaustive. If Client is uncertain as to whether or not Client's use of Custodial Services involves a Prohibited Use, or have questions about how these requirements applies to Client, please contact Trust Company at custody@coinbase.com. By opening a Custodial Account, Client confirms that Client will not use Client's Custodial Account to do any of the following:

- **Unlawful Activity:** Activity which would violate, or assist in violation of, any law, statute, ordinance, or regulation, sanctions programs administered in the countries where Trust Company conducts business, including, but not limited to, the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), or which would involve proceeds of any unlawful activity; publish, distribute or disseminate any unlawful material or information or money laundering, fraud, blackmail, extortion, ransom data, the financing of terrorism, other violent activities or any prohibited market practices.
- **Abusive Activity:** Actions which impose an unreasonable or disproportionately large load on Trust Company's infrastructure, or detrimentally interfere with, intercept, or expropriate any system, data, or information; transmit or upload any material to the Site that contains viruses, Trojan horses, worms, or any other harmful or deleterious programs; attempt to gain unauthorized access to the Site, other Custodial Accounts, computer systems or networks connected to the Site, through password mining or any other means; use Custodial Account information of another party to access or use the Site; or transfer Client's Custodial Account access or rights to Client's Custodial Account to a third party, unless by operation of law or with the express permission of Trust Company.
- **Abuse Other Users:** Interfere with another Trust Company user's access to or use of any Custodial Services; defame, abuse, extort, harass, stalk, threaten or otherwise violate or infringe the legal rights (such as, but not limited to, rights of privacy, publicity and intellectual property) of others; incite, threaten, facilitate, promote, or encourage hate, racial intolerance, or violent acts against others; harvest or otherwise collect information from the Site about others, including, without limitation, email addresses, without proper consent.
- **Fraud:** Activity which operates to defraud Trust Company, Trust Company users, or any other person; provide any false, inaccurate, or misleading information to Trust Company.
- **Gambling:** Lotteries; bidding fee auctions; sports forecasting or odds making; fantasy sports leagues with cash prizes; Internet gaming; contests; sweepstakes; games of chance.
- **Intellectual Property Infringement:** Engage in transactions involving items that infringe or violate any copyright, trademark, right of publicity or privacy or any other proprietary right under the law, including but not limited to sales, distribution, or access to counterfeit music, movies, software, or other licensed materials without the appropriate authorization from the rights holder; use of Trust Company intellectual property, name, or logo, including use of Trust Company trade or service marks, without express consent from Trust Company or in a manner that otherwise harms Trust Company, or Trust Company's brand; any action that implies an untrue endorsement by or affiliation with Trust Company.

Appendix 1-1

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

- **Written Policies:** Client may not use the Custodial Account or the Custodial Services in a manner that violates, or is otherwise inconsistent with, any operating instructions promulgated by Trust Company.

Prohibited Businesses

Although Trust Company may offer a Custodial Account to any entity that can successfully create an account in accordance with the terms of the Agreement, the following categories of businesses, business practices, and sale items are barred from the Custodial Services (“**Prohibited Businesses**”). The specific types of use listed below are representative, but not exhaustive. If Client is uncertain as to whether or not Client’s use of the Custodial Services involves a Prohibited Business, or have questions about how these requirements apply to Client, please contact us at custody@coinbase.com.

By opening a Custodial Account, Client confirm that Client will not use the Custodial Services in connection with any of following businesses, activities, practices, or items:

- **Restricted Financial Services:** Check cashing, bail bonds, collections agencies.
- **Intellectual Property or Proprietary Rights Infringement:** Sales, distribution, or access to counterfeit music, movies, software, or other licensed materials without the appropriate authorization from the rights holder.
- **Counterfeit or Unauthorized Goods:** Unauthorized sale or resale of brand name or designer products or services; sale of goods or services that are illegally imported or exported or which are stolen.
- **Regulated Products and Services:** Marijuana dispensaries and related businesses; sale of tobacco, e-cigarettes, and e-liquid; online prescription or pharmaceutical services; age-restricted goods or services; weapons and munitions; gunpowder and other explosives; fireworks and related goods; toxic, flammable, and radioactive materials; products and services with varying legal status on a state-by-state basis.
- **Drugs and Drug Paraphernalia:** Sale of narcotics, controlled substances, and any equipment designed for making or using drugs, such as bongs, vaporizers, and hookahs.
- **Pseudo-Pharmaceuticals:** Pharmaceuticals and other products that make health claims that have not been approved or verified by the applicable local and/or national regulatory body.
- **Substances designed to mimic illegal drugs:** Sale of a legal substance that provides the same effect as an illegal drug (*e.g.*, salvia, kratom).
- **Adult Content and Services:** Pornography and other obscene materials (including literature, imagery and other media); sites offering any sexually-related services such as prostitution, escorts, pay-per view, adult live chat features.

Appendix 1-2

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

- **Multi-level Marketing:** Pyramid schemes, network marketing, and referral marketing programs.
- **Unfair, Predatory or Deceptive Practices:** Investment opportunities or other services that promise high rewards; sale or resale of a service without added benefit to the buyer; resale of government offerings without authorization or added value; sites that we determine in our sole discretion to be unfair, deceptive, or predatory towards consumers.
- **Gambling Services.**
- **Weapons Manufacturers/Vendors.**
- **Hate Groups.**
- **Money Services:** Gift cards; prepaid cards; sale of in-game currency unless the merchant is the operator of the virtual world; act as a payment intermediary or aggregator or otherwise resell any of the Custodial Services.
- **Crowdfunding.**
- **High-risk Businesses:** any businesses that we believe pose elevated financial risk or legal liability.

Conditional Use

Express written consent and approval from Trust Company must be obtained prior to using Custodial Services for the following categories of business and/or use (“**Conditional Uses**”). Consent may be requested by contacting us at custody@coinbase.com. Trust Company may also require Client to agree to additional conditions, make supplemental representations and warranties, complete enhanced on-boarding procedures, and operate subject to restrictions if Client uses the Custodial Services in connection with any of following businesses, activities, or practices:

- **Charities:** Acceptance of donations for nonprofit enterprise.
- **Games of Skill:** Games which are not defined as gambling under this Agreement or by law, but which require an entry fee and award a prize.
- **Religious/Spiritual Organizations:** Operation of a for-profit religious or spiritual organization.
- **Digital Currency Services:** Operation of a Bitcoin (“**BTC**”) ATM, BTC mining, BTC exchange, or other high-risk Digital Currency service.

Appendix 1-3

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

APPENDIX 2: E-SIGN DISCLOSURE AND CONSENT

This policy describes how Trust Company delivers communications to Client electronically. Trust Company may amend this policy at any time by providing a notice.

Electronic Delivery of Communications

Client agrees and consents to receive electronically all communications, agreements, documents, notices and disclosures (collectively, “**Communications**”) that Trust Company provides in connection with Client’s Custodial Account and Client’s use of Custodial Services.

Communications include:

- Terms of use and policies Client agrees to (*e.g.*, the Agreement and any addendum thereto), including updates to these agreements or policies;
- Custodial Account details, history, transaction receipts, confirmations, and any other Custodial Account, deposit, withdrawal or transfer information;
- Legal, regulatory, and tax disclosures or statements we may be required to make available to Client; and
- Responses to claims or customer support inquiries filed in connection with Client’s Custodial Account.

We will provide these Communications to Client by posting them on the Site, emailing them to Client at the primary email address on file with Trust Company, communicating to Client via instant chat, and/or through other electronic communication.

Hardware and Software Requirements

In order to access and retain electronic Communications, Client will need the following computer hardware and software:

- A device with an Internet connection;
- A current web browser that includes 128-bit encryption (*e.g.*, Internet Explorer version 9.0 and above, Firefox version 3.6 and above, Chrome version 31.0 and above, or Safari 7.0 and above) with cookies enabled;
- A valid email address (Client’s primary email address on file with Trust Company); and
- Sufficient storage space to save past Communications or an installed printer to print them.

How to Withdraw Client’s Consent

Client may withdraw Client’s consent to receive Communications electronically by contacting Trust Company at custody@coinbase.com. If Client fails to provide or if Client withdraws Client’s consent to receive Communications electronically, Trust Company reserves the right to immediately close Client’s Custodial Account or charge Client additional fees for paper copies.

Appendix 2-1

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

Updating Client's Information

It is Client's responsibility to provide Trust Company with a true, accurate, and complete e-mail address and Client's contact information, and to keep such information up to date. Client understands and agrees that if Trust Company sends Client an electronic Communication but Client does not receive it because Client's primary email address on file is incorrect, out of date, blocked by Client's service provider, or Client is otherwise unable to receive electronic Communications, Trust Company will be deemed to have provided the Communication to Client.

Client may update Client's information by logging into Client's Custodial Account and visiting settings or by contacting the Custody support team at custody@coinbase.com.

Appendix 2-2

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

Schedule A

[*****]

Schedule A-1

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

Schedule B

[*****]

Schedule B-1

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

Schedule C

[*****]

Schedule C-1

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

Exhibit A

Trust Company Trademark and Logo

Trademark: Coinbase Custody

Logo: [To be provided]

Pre-Approved Marketing Content

“Coinbase Custody Trust Company, LLC is a fiduciary under § 100 of the New York Banking Law and a qualified custodian for purposes of Rule 206(4)-2(d)(6) under the Investment Advisers Act of 1940, as amended.”

Client may make factually accurate statements (in accordance with Section 4.1.2 of the Agreement) limited to describing the Custodial Services provided by Trust Company to Client, which contain the information in the statement above; provided, however, that Client may not make any statements (A) implying that Trust Company is listing, buying, trading, issuing, selling, offering for sale, distributing or promoting any investment products (including without limitation, Digital Assets, fiat currency, securities, commodities, trading products, derivatives, structured products, investment funds, investment portfolios, commodity pools, swaps, securitizations or synthetic products), including where the price, return, outcome, and/or performance of the investment product is based on, derived from, or related to Trust Company, or (B) implying any indorsement or assessment by Trust Company of the quality of Client’s Digital Assets or Client’s business, without Trust Company’s written agreement.

[*****]

Exhibit A-1

Certain confidential information contained in this document, marked by [], has been omitted because Grayscale Horizen Trust (ZEN) has determined that the information (i) is not material and (ii) would likely cause competitive harm to Grayscale Horizen Trust (ZEN) if publicly disclosed.**

MASTER DISTRIBUTION AND MARKETING AGREEMENT

MASTER DISTRIBUTION AND MARKETING AGREEMENT dated as of November 15, 2019 (this “**Agreement**”) among Grayscale Investments, LLC, a Delaware limited liability company (the “**Sponsor**”) the investment products sponsored or managed by the Sponsor listed on Schedule A hereto, as amended from time to time (each a “**Product**” and together the “**Products**”), and Genesis Global Trading, Inc., a Delaware corporation (the “**Distributor and Marketer**”) (each, a “**Party**” and together, the “**Parties**”).

WHEREAS, the Sponsor serves as the sponsor or manager of the Products; and

WHEREAS, the Sponsor, on behalf of each Product, wishes to engage the Distributor and Marketer in connection with the performance of the services listed in Schedule B and additional services as may be agreed for each Product.

NOW, THEREFORE, in consideration of the mutual promises and undertakings herein contained, the Parties agree as follows:

- 1. Documents** – Each Product has furnished or will furnish, upon request, to the Distributor and Marketer copies of such Product’s constituent documents, agreements with its service providers and Confidential Private Placement Memorandum, as amended (its “**Memorandum**”). Each Product shall furnish, within a reasonable time period, to the Distributor and Marketer a copy of any amendment or supplement to any of the above-mentioned documents. Upon request, each entity shall furnish promptly to the Distributor and Marketer any additional documents necessary or advisable to perform its functions hereunder.
- 2. Compliance with Rules and Regulations**—In carrying out its responsibilities under this Agreement, the Distributor and Marketer, including its employees and delegates, shall act in a manner consistent with the reasonable instructions of the Sponsor and comply with all applicable laws in all material respects, including, without limitation, securities laws, of each jurisdiction in which the Distributor and Marketer proposes to carry on the business contemplated by this Agreement. Without limiting the foregoing, each of the Distributor and Marketer, each Product, and the Sponsor have not taken and shall not take any action or omit to take any action that would cause the Distributor and Marketer, each Product, or the Sponsor to be in violation of, or to lose any applicable exemption from registration under, the Securities Act of 1933, as amended (the “**1933 Act**”), the Securities Exchange Act of 1934, as amended (the “**1934 Act**”), and the rules and regulations promulgated thereunder, the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), or the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), and the rules and regulations promulgated thereunder. The Distributor and Marketer represents and warrants that it has sufficient familiarity with the 1933 Act, the 1934 Act, the Investment Company Act, and the Advisers Act to carry out its duties under this Agreement in compliance with the preceding sentence.
- 3. Authorized Representations**—The Distributor and Marketer is not authorized by any of the Products to give any information or to make any representations other than those contained in such Product’s Memorandum, or contained in other material that may be prepared by or on behalf of such Product for the Distributor and Marketer’s use. Consistent with the foregoing, and subject to paragraph 9 below, the Distributor and Marketer may prepare and distribute marketing literature or other material as it may deem appropriate in consultation with the Sponsor, provided such marketing literature and its distribution complies with applicable law and regulations.
- 4. Fees and Product Expenses**—(a) In consideration of the services to be performed by the Distributor and Marketer hereunder as set forth on Schedule B attached hereto and as it may be amended from time-to-time, the Sponsor will pay the Distributor and Marketer a fee in an amount to be agreed upon in writing by the Parties hereto from time-to-time, subject to any limitation imposed by any law, rule or regulation applicable to any of the Parties hereto.

(b) The Sponsor shall reimburse the Distributor and Marketer for any reasonable fees or disbursements incurred by the Distributor and Marketer in connection with the performance by the Distributor and Marketer of its duties under and pursuant to this Agreement with the prior written consent of the Sponsor. Further, unless otherwise agreed to by the Parties hereto in writing, the Distributor and Marketer shall not be responsible for fees and expenses in connection with (i) preparing, printing and mailing each Product's Memorandum, and any supplements thereto, to existing shareholders (ii) preparing, setting in type, printing and mailing any report or other communication to shareholders of such Product, and (iii) the Blue Sky registration and qualification of shares for sale in the various states in which the officers of the Sponsor shall determine it advisable to qualify such shares for sale (including registering such Product as a broker or dealer or any officer of such Product as agent or salesman in any state).

5. Use of the Distributor and Marketer's Name—No Product shall not use the name of the Distributor and Marketer, or any of its affiliates, in its Memorandum, marketing literature, and other material relating to such Product in any manner without the prior consent of the Distributor and Marketer (which shall not be unreasonably withheld); *provided, however*, that the Distributor and Marketer hereby approves all lawful uses of the names of the Distributor and Marketer, including its affiliates, in such Product's Memorandum and in all other materials which merely refer in accurate terms to their appointment hereunder, or which are required under any applicable law, rule or regulation.

6. Use of the Product's Name—Neither the Distributor and Marketer nor any of its affiliates shall use the name of any Product in any publicly disseminated materials, including marketing literature in any manner without the prior consent of such Product (which shall not be unreasonably withheld); *provided, however*, that such Product hereby approves all lawful uses of its name in any required regulatory filings of the Distributor and Marketer which merely refer in accurate terms to the appointment of the Distributor and Marketer hereunder, or which are required under any applicable law, rule or regulation.

7. Authorization—Each Party represents and warrants, severally and not jointly, that this Agreement has been duly authorized, executed, and delivered by each Party, is a valid and binding agreement, and is enforceable in accordance with its terms. The provision of the services contemplated herein will not result in any breach of any of the terms or conditions of or constitute a default under any agreement or instrument to which any Party is a party, or by which any Party is bound or, to the best of its knowledge, any law, in each case the violation or breach of which would cause material harm to the Parties.

8. Indemnification—Each Product, as the primary obligor (and the Sponsor, as secondary obligor), agrees to indemnify and hold harmless the Distributor and Marketer and each of its directors and officers and each person, if any, who controls the Distributor and Marketer within the meaning of the 1933 Act, against any loss, liability, claim, damages or expenses (including the reasonable cost of investigating or defending any alleged loss, liability, claim, damages or expense and reasonable counsel fees incurred in connection therewith) arising by reason of any person acquiring any shares, based upon the ground that the its Memorandum or other information included an untrue statement of a material fact or omitted to state a material fact required to be stated or necessary in order to make the statements not misleading. However, each Product, as the primary obligor (and the Sponsor, as secondary obligor), does not agree to indemnify the Distributor and Marketer or hold it harmless to the extent that the statement or omission was made in reliance upon, and in conformity with, information furnished to such Product by or on behalf of the Distributor and Marketer. In no case (i) is the indemnity of such Product, as the primary obligor (and the Sponsor, as secondary obligor), in favor of the Distributor and Marketer or any person indemnified to be deemed to protect the Distributor

and Marketer or any person against any liability to such Product or its security holders to which the Distributor and Marketer or such person would otherwise be subject by reason of fraud, gross negligence, bad faith, or willful misfeasance in the performance of its duties or by reason of its reckless disregard of its obligations and duties under this Agreement, or (ii) is such Product, as the primary obligor (and Sponsor, as secondary obligor) to be liable under its indemnity agreement contained in this paragraph with respect to any claim made against the Distributor and Marketer or any person indemnified unless the Distributor and Marketer or person, as the case may be, shall have notified such Product in writing of the claim promptly after the summons or other first written notification giving information of the nature of the claims shall have been served upon the Distributor and Marketer or any such person (or after the Distributor and Marketer or such person shall have received notice of service on any designated agent). However, failure to notify such Product of any claim shall not relieve such Product (and the Sponsor) from any liability which it may have to any person against whom such action is brought otherwise than on account of its indemnity agreement contained in this paragraph. Each Product, as applicable, shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any claims, and if such Product elects to assume the defense, the defense shall be conducted by counsel chosen by such Product. In the event such Product elects to assume the defense of any suit and retain counsel, the Distributor and Marketer, officers or directors or controlling person(s), defendant(s) in the suit, shall bear the fees and expenses of any additional counsel retained by them. If such Product does not elect to assume the defense of any suit, it will reimburse the Distributor and Marketer, officers or directors or controlling person(s) or defendant(s) in the suit for the reasonable fees and expenses of any counsel retained by them. Each Product agrees to notify the Distributor and Marketer promptly of the commencement of any litigation or proceeding against it or any of its officers in connection with the issuance or sale of any of the shares.

The Distributor and Marketer also covenants and agrees that it will indemnify and hold harmless each Product, the Sponsor, and each of their respective officers, representatives or agents and person, if any, who controls such Product or the Sponsor within the meaning of the 1933 Act (each, an **"Indemnified Party"**), against any loss, liability, damages, claims or expense (including the reasonable cost of investigating or defending any alleged loss, liability, damages, claim or expense and reasonable counsel fees incurred in connection therewith) arising by reason of any person acquiring any shares of such Product, alleging (a) any violation of any applicable law by the Distributor and Marketer or any of its employees or (b) that any marketing literature, advertisements, information, statements or representations used or made by the Distributor and Marketer or any of its affiliates or employees or that such Product's Memorandum included an untrue statement of a material fact or omitted to state a material fact required to be stated or necessary in order to make the statements not misleading, insofar as the statement or omission was made in reliance upon, and in conformity with, information furnished to such Product or Sponsor by or on behalf of the Distributor and Marketer. In no case (i) is the indemnity of the Distributor and Marketer in favor of and Indemnified Party to be deemed to protect any such party against any liability to which the Indemnified Party would otherwise be subject by reason of fraud, gross negligence, bad faith, or willful misfeasance in the performance of its duties or by reason of its reckless disregard of its obligations and duties under this Agreement, or (ii) is the Distributor and Marketer to be liable under its indemnity agreement contained in this paragraph with respect to any claim made against any Indemnified Party unless such Indemnified Party shall have notified the Distributor and Marketer in writing of the claim promptly after the summons or other first written notification giving information of the nature of the claim shall have been served upon such Indemnified Party (or after such Indemnified Party shall have received notice of service on any designated agent). However, failure to notify the Distributor and Marketer of any claim shall not relieve the Distributor and Marketer from any liability which it may have to the Indemnified Party against whom the action is brought otherwise than on account of its indemnity agreement contained in this paragraph. In the case of any notice to the Distributor and Marketer it shall be entitled to participate, at its own expense, in the defense or, if it so elects, to assume the defense of any suit brought to enforce the claim, and if the Distributor and Marketer elects to assume the defense, the defense shall be conducted by counsel chosen by it and satisfactory to the Indemnified Party, to its officers and to any controlling person(s) or defendant(s) in the suit. In the event that the Distributor and Marketer elects to assume the defense of any suit and retain counsel, the Indemnified Party or controlling person(s), defendant(s) in the suit, shall bear the fees and

expense of any additional counsel retained by them. If the Distributor and Marketer does not elect to assume the defense of any suit, it will reimburse the Indemnified Party, officers or controlling person(s), defendant(s) in the suit, for the reasonable fees and expenses of any counsel retained by them. The Distributor and Marketer agrees to notify the Indemnified Party promptly of the commencement of any litigation or proceedings against it in connection with the Indemnified Party and sale of any of the shares.

9. Supplemental Information—The Distributor and Marketer and the Sponsor shall regularly consult with each other regarding the Distributor and Marketer's performance of its obligations under this Agreement.

The Distributor and Marketer acknowledges that the only information provided to it by each Product is that contained in such Product's Memorandum. Neither the Distributor and Marketer nor any other person is authorized by each Product to give any information or to make any representations, other than those contained in such Product's Memorandum and any marketing literature or advertisements specifically approved by appropriate representatives of such Product.

10. Distributor and Marketer's Registration—The Distributor and Marketer is and shall remain registered as a broker-dealer under the 1934 Act, and a member in good standing of the Financial Industry Regulatory Authority, Inc. throughout the duration of this Agreement. It is understood that the Distributor and Marketer will not open or maintain customer accounts or handle orders for any Product. The Distributor and Marketer further represents and covenants that its employees will comply with all applicable laws, rules and regulations in connection with the marketing of each Product as contemplated under Schedule B hereto, and its employees' oral and written disclosure concerning each Product will be substantially in accord with the form and content of such Product's Memorandum.

11. Term—This Agreement shall become effective as of the date hereof and shall continue until one year from such date and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by the Sponsor. This Agreement is terminable without penalty on sixty (60) days' written notice by the Sponsor or by the Distributor and Marketer.

Upon the termination of this Agreement, the Distributor and Marketer, at each Product's expense and direction, shall transfer to such successor as such Product shall specify all relevant books, records and other data established or maintained by the Distributor and Marketer under this Agreement.

12. Notice—Any notice required or permitted to be given by either Party to the other shall be deemed sufficient if sent by (i) email to an email address previously confirmed by the other Party to be an email address appropriately designated for receipt of notices pursuant to this agreement (ii) telecopier (fax) or (iii) registered or certified mail, postage prepaid, addressed by the Party giving notice to the other Party at the last address furnished by the other Party to the Party giving notice:

if to any Product at:

c/o Grayscale Investments, LLC
250 Park Avenue South
New York, New York, 10003 Attn: Michael Sonnenshein

if to the Sponsor at:

250 Park Avenue South
New York, New York, 10003 Attn: Michael Sonnenshein

if to the Distributor and Marketer at: 250 Park Avenue South
New York, New York, 10003
Attn: Arianna Pretto-Sakmann

or such other telecopier (fax) number or address as may be furnished by one Party to the other.

13. Confidential Information—The Distributor and Marketer, its officers, directors, employees and agents will treat confidentially and as proprietary information of each Product and the Sponsor all records and other information relative to such Product and the Sponsor and to prior or present shareholders or to those persons or entities who respond to the Distributor and Marketer's inquiries concerning investment in such Product (together, the "**Confidential Information**"), and will not use the Confidential Information for any purposes other than performance of its responsibilities and duties hereunder. If the Distributor and Marketer is requested or required by, but not limited to, depositions, interrogatories, requests for information or documents, subpoena, civil investigation, demand or other action, proceeding or process or as otherwise required by law, statute, regulation, writ, decree or the like to disclose Confidential Information, the Distributor and Marketer will provide each Product and the Sponsor, as applicable, with prompt written notice of any such request or requirement so that such Product or the Sponsor may seek an appropriate protective order or other appropriate remedy and/or waive compliance with this provision. If such order or other remedy is not sought, or obtained, or waiver not received within a reasonable period following such notice, then the Distributor and Marketer may without liability hereunder, disclose to the person, entity or agency requesting or requiring the information, that portion of the Confidential Information that is legally required in the reasonable opinion of the Distributor and Marketer's counsel. Notwithstanding any provision to the contrary contained herein, Distributor and Marketer may disclose, without notice to Sponsor, such information pursuant to a request or regular or routine inspection by a governmental or regulatory agency.

14. Limitation of Liability—The Distributor and Marketer agrees that the obligations assumed by each Product under this contract shall be limited in all cases to such Product and its assets except as expressly set forth herein. The Distributor and Marketer agrees that it shall not seek satisfaction of any such obligation from the shareholders, any individual shareholder, officer, representative or agent of such Product.

15. Miscellaneous—Each Party agrees to perform such further acts and execute such further documents as are necessary to effectuate the purposes hereof. This Agreement shall be construed, interpreted, and enforced in accordance with and governed by the laws of the State of New York. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. This Agreement may not be changed, waived, discharged or amended except by written instrument that shall make specific reference to this Agreement and which shall be signed by the Party against which enforcement of such change, waiver, discharge or amendment is sought. This Agreement may be executed simultaneously in two or more counterparts, each of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized persons, all as of the day and year first above written.

GRAYSCALE INVESTMENTS, LLC,
as Sponsor

By: /s/ Michael Sonnenshein
Name: Michael Sonnenshein
Title: Managing Director

**THE ENTITIES LISTED ON
SCHEDULE A HERETO**

By: GRAYSCALE INVESTMENTS, LLC,
as sponsor or manager of each of the entities
listed on Schedule A hereto

By: /s/ Michael Sonnenshein
Name: Michael Sonnenshein
Title: Managing Director

GENESIS GLOBAL TRADING, INC.,
as Distributing and Marketing Agent

By: /s/ Arianna Pretto-Sakmann
Name: Arianna Pretto-Sakmann
Title: General Counsel

[Signature page to Distribution and Marketing Agreement]

Schedule A

	<u>Product</u>	<u>Governing Document</u>
1.	Grayscale Bitcoin Trust (BTC), a Delaware statutory trust formed as of September 25, 2013	Fifth Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Bitcoin Trust (BTC), dated September 12, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
2.	Grayscale Bitcoin Cash Trust (BCH), a Delaware statutory trust formed as of January 26, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Bitcoin Cash Trust (BCH), dated March 1, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
3.	Grayscale Ethereum Trust (ETH), a Delaware statutory trust formed as of December 13, 2017	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Ethereum Trust (ETH), dated July 3, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
4.	Grayscale Ethereum Classic Trust (ETC), a Delaware statutory trust formed as of April 18, 2017	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Ethereum Classic Trust (ETC), dated February 28, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
5.	Grayscale Horizen Trust (ZEN), a Delaware statutory trust formed as July 3, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Ethereum Trust (ETH), dated August 6, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
6.	Grayscale Litecoin Trust (LTC), a Delaware statutory trust formed as of January 26, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Litecoin Trust (LTC), dated March 1, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
7.	Grayscale Stellar Lumens Trust (XLM), a Delaware statutory trust formed as of October 26, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Stellar Lumens Trust (XLM), dated December 4, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
8.	Grayscale XRP Trust (XRP), a Delaware statutory trust formed as of February 26, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale XRP Trust (XRP), dated March 1, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
9.	Grayscale Zcash Trust (ZEC), a Delaware statutory trust formed as of October 3, 2017	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Zcash Trust (ZEC), dated July 3, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.

10. Grayscale Digital Large Cap Fund LLC,
a Cayman Islands limited liability company formed as of January 25,
2018
- Amended and Restated Limited Liability Company Agreement of
Grayscale Digital Large Cap Fund LLC, dated February 1, 2018, by
and among Grayscale Investments, LLC, as the same may be amended
from time to time.

Schedule B

List of Services

The Distributor and Marketer shall perform the following services for each Product:

- Create an online website, to be hosted on Distributor and Marketer's platform, through which marketing materials of each Product may be distributed and accessed.
- Facilitate sales calls by Distributor and Marketer's registered representatives to the person(s) and entity(s) targeted by the ongoing marketing/sales campaign for each Product ("**Target Audience**").
- Conduct Outreach to the Target Audience through email and other electronic communications.
- Promote each Product to suitable users of the Distributor and Marketer's platform.
- Promote each Product using social and digital media.
- Respond to questions about the Sponsor's marketing materials as soon as reasonably practicable and direct all other questions to the Sponsor.
- Perform such additional distribution and marketing related services as may be agreed among the parties from time to time.

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CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor
New York, NY 10003

Master Index License Agreement

This Master Index License Agreement (the “Agreement”) is made as of January 31, 2022 (the “Effective Date”), by and between CoinDesk Indices, Inc. (formerly known as TradeBlock Inc.), a Delaware corporation, having its principal place of business at 250 Park Avenue South, 2nd Floor, New York, NY 10003 (“TradeBlock”); and Grayscale Investments, LLC, a Delaware limited liability company, having its principal place of business at 290 Harbor Drive, Stamford, CT 06902 (“Licensee”), acting as the sponsor or manager of the investment funds listed on **Exhibit A** attached hereto (each, an “Entity”, and collectively the “Entities”). TradeBlock and Licensee are each referred to herein as a “Party” and collectively as the “Parties.”

1. Services. From time to time during the Term hereof, the Parties may execute one or more orders under this Agreement substantially in the form of **Exhibit B** attached hereto (each, an “Order”), including the first Order being executed by the Parties concurrently herewith (“Order No. 1”). Subject to the terms and conditions of this Agreement, TradeBlock will provide to Licensee access to TradeBlock’s indexes specified on the Order (each a “Licensed Index”, and collectively the “Licensed Indexes”), along with the related services specified on such Order (together with provision of the Licensed Indexes, the “Services”).

2. Fees and Payments. Licensee shall pay the fees as set forth in each Order and as otherwise set forth herein. Unless otherwise set forth in the Order, invoices for Services shall be payable net thirty (30) days from the date of the invoice. The service charge is in addition to the overdue balance. All fees are exclusive of, and Licensee is responsible for paying, reimbursable expenses, and applicable federal, state, and local sales, use, excise, or other applicable taxes other than taxes on the net income of TradeBlock. TradeBlock may add any such taxes to invoices submitted to Licensee.

3. Term. This Agreement shall commence upon the Effective Date and shall continue through the later of (i) the end date set forth on **Exhibit B** attached hereto (for Order No. 1 being executed concurrently herewith) or (ii) the latest end date set forth on any other Order executed hereunder (if any) prior to the end date for Order No. 1, in any case unless terminated earlier in accordance with Section 4 (the “Initial Term”). This Agreement will renew automatically for additional one-year periods (each, a “Renewal Term”), unless either

Party provides written notice of non-renewal to the other Party at least thirty (30) days prior to the end of the then-current Initial Term or Renewal Term, (as applicable), or unless terminated earlier in accordance with Section 4. The Initial Term, together with all Renewal Terms, are collectively referred to herein as the “Term.”

4. Termination.

4.1 Termination for Breach or Insolvency. Either Party may terminate this Agreement (and all Orders then in effect) immediately upon written notice to the other Party (a) if such other Party has committed a material breach of this Agreement that remains uncured thirty (30) days after written notice of such breach from the non-breaching Party, or (b) if the other Party (i) holds any meeting with or proposes to enter into or has proposed to it any arrangement or composition with its creditors; (ii) has a receiver, administrator, or other encumbrancer take possession of, or appointed over or has any distress, execution or other process levied or enforced (and not discharged within sixty (60) days) upon the whole or substantially all of, its assets; (iii) ceases or threatens to cease to carry on business or becomes unable to pay its debts; or (iv) experiences any analogous event.

4.2 Termination for Violation of Applicable Law. In addition to the foregoing, either Party may terminate this Agreement (and all Orders then in effect) immediately upon written notice to the other Party in the event of any actual or alleged violation by such other Party of any Applicable Law, including without limitation any law, rule, or regulation regarding money transmission, taxation, or trading, or that otherwise materially impairs either Party’s ability to perform its

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CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor
New York, NY 10003

obligations under this Agreement in TradeBlock's judgment. For purposes of this Agreement, "Applicable Law" means any law, statute, ordinance, regulation, rule, or order of any kind whatsoever of any governmental authority in effect and applicable to the activities contemplated by this Agreement or as the context otherwise dictates.

4.3 Termination for Other Regulatory Reasons. In addition to the foregoing, either Party may terminate this Agreement (and all Orders then in effect) immediately upon written notice to the other Party in the event of any change of any Applicable Law (including through case law) relating to the Services hereunder, and TradeBlock accordingly ceases to engage in the business of providing the Services.

4.4 Effects of Termination. Effective immediately upon expiration or termination of this Agreement, (a) all rights granted under this Agreement will become void, (b) Licensee shall immediately cease all use of the Licensed Indexes and other Services hereunder, and (c) Licensee shall remove any TradeBlock-provided materials, tags and code from any website and other materials. If this Agreement is terminated by Licensee (except pursuant to Section 4.3), any pre-paid fees for the unused portion of the Term hereof will be refunded to Licensee and all fees paid or payable for the terminated Term are cancellable.

4.5 Survival. Any provision of the Agreement that contemplates or governs performance or observance subsequent to its expiration or termination will survive the expiration or termination of this Agreement (or the applicable Order) for any reason.

5. Licensed Indexes and Related Services.

5.1 License Grant. Subject to the terms and conditions of this Agreement (including Licensee's timely payment of the applicable fees hereunder), TradeBlock hereby grants to Licensee for the Term hereof:

(i) an exclusive, non-transferable, non-sublicensable, limited and revocable license to access and use the VWAP Algorithm (defined in Order No. 1)

solely in connection with Licensee's access and use of the other Services provided by TradeBlock hereunder for purposes of, as applicable, (a) calculating the share prices of the Entities, and (b) providing such share prices and any related information to Licensee's clients and custodians or administrators of the Entities; and

(ii) a non-exclusive, non-transferable, non-sublicensable, limited and revocable license for Licensee to access and use all other Services provided by TradeBlock hereunder (including the Licensed Indexes), solely for purposes of, as applicable, (a) calculating the share prices of the Entities, and (b) providing such share prices and any related information to Licensee's clients and custodians or administrators of the Entities; [**]

(iii) [**].

5.2 Reservation of Rights. All rights not expressly licensed to Licensee hereunder are reserved to TradeBlock, including without limitation all ownership and proprietary rights in the Services and other technology of TradeBlock, and all Intellectual Property Rights (defined below) thereto. Licensee expressly acknowledges that its rights to access and use the Services are limited to the license rights set forth in Section 5.1 above (as supplemented by any applicable Order). Licensee will not claim ownership or proprietary rights in any of the Services or any other technology of TradeBlock, or any Intellectual Property Rights thereto.

5.3 Restrictions. Licensee shall not at any time, including after expiration or termination of this Agreement: (a) decompile, disassemble, decode or reverse engineer or otherwise attempt to reconstruct the source code, structure, algorithms or internal ideas underlying any of the Services or any other technology of TradeBlock; (b) make any copies of any of the Services or any other technology of TradeBlock without TradeBlock's prior written consent in each instance; (c) obscure, alter or remove any notice of any copyright, trademark, trade name, service mark, logo, or other intellectual property or proprietary right designation appearing on or contained within any of the Services or

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CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor
New York, NY 10003

any other technology of TradeBlock; (d) bypass, delete or disable any copy protection mechanism or security mechanism of any of the Services or any other technology of TradeBlock; (e) knowingly use the Services to store or transmit malicious code; (f) interfere with or disrupt the integrity or performance of the Services or third-party data contained therein; (g) except as expressly permitted under this Agreement, transfer, distribute, assign, sublicense, rent, lease, time share, service bureau, sell or otherwise provide any of the Services to any third party; or (h) otherwise violate the license grants or restrictions set forth in this Agreement.

5.4 Responsibility for All Use. Licensee shall be fully responsible for all use (authorized or not) of the Services conducted by or on behalf of Licensee, including by its employees, representatives, contractors, and agents.

5.5 Security Obligations. Licensee shall take all reasonable precautions to prevent unauthorized or improper access to or use of the Services provided to Licensee hereunder.

5.6 Acknowledgment. Licensee acknowledges that the Licensed Indexes are based on various inputs, which may include spot currency exchange rates, over-the-counter trade data, derivative instrument pricing, and/or data from other related financial products, and that TradeBlock does not guarantee the accuracy, completeness, timeliness, or validity of any such inputs. Licensee further acknowledges that to the extent any such inputs are not accurate, complete, timely, or otherwise valid, the Licensed Indexes may be inaccurate and/or contribute to undesirable trading decisions, among other scenarios.

6. Licensed Marks. Subject to the terms and conditions of this Agreement (including Licensee's timely payment of the fees hereunder), TradeBlock hereby grants to Licensee for the Term hereof a limited, revocable, non-exclusive, non-transferable, non-sublicensable license for Licensee to refer to TradeBlock's name and logo (solely as furnished by TradeBlock to Licensee) and the Licensed Index names identified in the Order (collectively, with TradeBlock's name and logo, the "Licensed Marks"), solely in

connection with using the Licensed Indexes as authorized under this Agreement. Licensee shall only use the Licensed Marks in the form and manner prescribed by TradeBlock from time to time, and if TradeBlock notifies Licensee of any incorrect usage of any of the Licensed Marks in connection with the foregoing, Licensee will promptly correct such usage. All use by or on behalf of Licensee of any of the Licensed Marks, including any goodwill associated therewith, shall inure solely to the benefit of, and be under the control of, TradeBlock. Licensee shall provide reasonable assistance to TradeBlock in facilitating TradeBlock's control of the nature and quality of all uses of the Licensed Marks upon request. As between the Parties, TradeBlock will have the sole right and discretion to determine whether the use of any of the Licensed Marks by Licensee complies with this Section.

7. Compliance with Law. Licensee shall use the Services in compliance with all Applicable Law, and shall otherwise comply with Applicable Law at all times in connection with this Agreement. Without limiting the generality of the foregoing, Licensee shall ensure that its implementation and use of the Services complies with all laws and regulations applicable to Licensee's business and geographic locations, and shall inform TradeBlock if such compliance requires any modification to the Services.

8. Intellectual Property. Licensee expressly acknowledges that (a) all right, title and interest in and to the Services and other technology of TradeBlock, as well as the methods used by TradeBlock to perform any Services, including all Intellectual Property Rights embodied in or associated with any of the foregoing, are and shall remain with TradeBlock or its third-party licensors; (b) no right or interest in the Services or any other technology of TradeBlock is conveyed to Licensee, other than the limited licenses granted under or pursuant to this Agreement; (c) the Services or any other technology of TradeBlock, and any methods used to perform the Services are protected by Intellectual Property Rights; and (d) the Services or any other technology of TradeBlock, and any methods used to perform the Services embody valuable confidential and proprietary information of TradeBlock or its licensors,

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and that such information is the Confidential Information (as defined below) of TradeBlock. As used in this Agreement, “Intellectual Property Rights” means all trade secrets, patents, copyrights, service marks, trademarks, trade names, moral rights, and other proprietary rights of any type, including any applications, continuations or other registrations with respect to any of the foregoing, under the laws or regulations of any foreign or domestic governmental, regulatory or judicial authority. No implied licenses are granted herein.

9. Confidentiality.

9.1 Confidential Information. TradeBlock and Licensee understand and agree that in connection with the negotiation and performance of this Agreement, each Party may have had or have access to or may have been or be exposed to, directly or indirectly, private or confidential information of the other Party, including, but not limited to, trade secrets, computer programs and code, scripts, algorithms, features and modes of operation, inventions (whether or not patentable), techniques, processes, methodologies, schematics, testing procedures, software design and architecture, design and function specifications, analysis and performance information, documentation, details of its products and services, as well as names and expertise of, and information relating to, vendors, employees, consultants, customers and prospects, know-how, ideas, and technical, business, pricing information, financial and marketing information and strategies and any other information that the receiving party reasonably should know is confidential (“Confidential Information”). Each Party (on its behalf and on behalf of its subcontractors, employees or representatives, or agents of any kind) shall hold and treat all Confidential Information of the other Party in confidence and will protect such Confidential Information with the same degree of care as such Party uses to protect its own Confidential Information of like nature.

9.2 Obligations. Each Party (the “Receiving Party”) receiving Confidential Information of the other Party (the “Disclosing Party”) will not, without the prior written consent of the Disclosing Party, disclose any

Confidential Information of the Disclosing Party to any third party, except that the Receiving Party may disclose such Confidential Information or portions thereof (a) to its directors, officers, employees, agents and representatives on a need-to-know basis in connection with performance of this Agreement, or (b) as may be required by Applicable Law, judicial process, or a governmental or regulatory agency request or inspection; *provided, however*, that if the Receiving Party is required to disclose such Confidential Information under clause (b) of this Section, the Receiving Party shall promptly notify the Disclosing Party of such pending disclosure and if permitted by law, consult with the Disclosing Party prior to such disclosure as to the availability and advisability of seeking a protective order or other means of preserving the confidentiality of the Confidential Information.

9.3 Exceptions. Notwithstanding anything contained herein to the contrary, Confidential Information does not include any information that (a) at the time of the disclosure or thereafter is lawfully obtained from publicly available sources generally known by the public (other than as a result of a disclosure in violation of this Agreement by the Receiving Party or its representative); (b) is available to the Receiving Party on a non-confidential basis from a source that is not and was not bound by any confidentiality obligation with respect to the Confidential Information; (c) has been independently acquired or developed by the Receiving Party without violating its obligations under this Agreement or under any Applicable Law; or (d) was lawfully in the Receiving Party’s possession on a non-confidential basis prior to disclosure by the Disclosing Party.

10. Representations and Warranties. Each Party represents and warrants to the other Party that: (a) the signatory signing this Agreement has the right and authority to sign this Agreement on its behalf; (b) to the best of its knowledge this Agreement does not and shall not conflict with any other agreement entered into by it; (c) it has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement; and (d) it owns (or has been duly licensed to use) all rights in its intellectual property required in order

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to grant the licenses granted herein. TradeBlock represents and warrants that it has all necessary rights to publish and disseminate the Licensed Indexes. Licensee represents and warrants that the Entities and the marketing and promotion thereof by Licensee will not violate any agreement applicable to Licensee or violate any Applicable Laws, including without limitation, securities, commodities, and banking laws.

11. Warranty Disclaimers. EXCEPT FOR THE FOREGOING WARRANTIES, AND TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, BOTH PARTIES DISCLAIM ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, CONCERNING OR RELATED TO THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT. IN ADDITION, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, AND TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, THE SERVICES ARE PROVIDED “AS IS” AND “AS AVAILABLE”, AND TRADEBLOCK DOES NOT WARRANT, GUARANTEE, OR MAKE ANY REPRESENTATIONS REGARDING THE USE, THE RESULTS OF THE USE, OR THE BENEFITS OF THE SERVICES, OR ANY INFORMATION CONTAINED THEREIN OR OTHERWISE PROVIDED PURSUANT TO THIS AGREEMENT, OR THAT THE SERVICES WILL BE ERROR-FREE OR FREE FROM INTERRUPTIONS OR OTHER FAILURES.

12. Limitations of Liability.

12.1 Exclusion of Certain Damages. EXCEPT FOR A PARTY’S GROSS NEGLIGENCE, WILLFUL MISCONDUCT, INDEMNIFICATION OBLIGATIONS, OR BREACH OF ITS CONFIDENTIALITY OBLIGATIONS, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY LOSS OF USE, REVENUE OR PROFIT; ANY LOSS OF DATA; ANY DIMINUTION IN VALUE; OR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT,

EXEMPLARY, SPECIAL OR PUNITIVE DAMAGES, ARISING UNDER THIS AGREEMENT, REGARDLESS WHETHER SUCH DAMAGES ARISE OUT OF BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND REGARDLESS WHETHER SUCH DAMAGES WERE FORESEEABLE AND WHETHER OR NOT A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND NOTWITHSTANDING THE FAILURE OF ANY AGREED OR OTHER REMEDY OF ITS ESSENTIAL PURPOSE.

12.2 Limitation of Liability. [Reserved.]

12.3 Other Terms. IN THE EVENT THAT APPLICABLE LAW DOES NOT ALLOW ANY OF THE FOREGOING THE EXCLUSIONS OR LIMITATIONS OF LIABILITY, SUCH EXCLUSION OR LIMITATION WILL BE DEEMED MODIFIED SOLELY TO THE EXTENT NECESSARY TO COMPLY WITH APPLICABLE LAW. LICENSEE ACKNOWLEDGES THAT THIS SECTION 12 IS AN ESSENTIAL PART OF THIS AGREEMENT, ABSENT WHICH THE ECONOMIC TERMS AND OTHER PROVISIONS OF THIS AGREEMENT WOULD BE SUBSTANTIALLY DIFFERENT.

13. Indemnity.

13.1 Indemnification by Licensee. Subject to the provisions of Section 13.3 below, Licensee shall defend, indemnify, and hold harmless TradeBlock and its affiliates, and their respective directors, officers, employees, agents and representatives, from and against any and all damages, liabilities, costs and losses of any kind (including reasonable attorneys’ fees) (collectively, “Losses”) to the extent arising out any third-party claim (each, a “Claim”) that arises out of or relates to any of the following: (a) any use by or on behalf of Licensee of any Licensed Index furnished hereunder in breach of this Agreement (including any actual violation of any Applicable Law, or any third-party allegation of a violation of any Applicable Law, is alleged to or actually arising out of or resulting from such use), except in all cases to the extent of any Claim subject to Section 13.2(a) below; (b) any materials or other content

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furnished to TradeBlock by Licensee hereunder, or any use thereof by or on behalf of TradeBlock solely as authorized under this Agreement, to the extent such use is alleged (by a third party) or actually infringes upon, violates, or misappropriates any Intellectual Property Rights of a third party; or (c) any breach by Licensee of any of its representations, warranties or covenants under this Agreement except in all cases to the extent arising out of TradeBlock's gross negligence or willful misconduct.

13.2 Indemnification by TradeBlock. Subject to the provisions of Section 13.3 below, TradeBlock shall defend, indemnify, and hold harmless Licensee and its affiliates, and their respective directors, officers, employees, agents and representatives, from and against any and all Losses to the extent arising out any Claim that arises out of or relates to any of the following: (a) any of the Licensed Indexes or other Services, or any other material or content, furnished to Licensee by TradeBlock hereunder, or any use thereof by or on behalf of Licensee solely as authorized under this Agreement, to the extent such use is alleged (by a third party) or actually infringes upon, violates, or misappropriates any Intellectual Property Rights of a third party; or (b) any breach or alleged (by a third party) breach by TradeBlock of any of its representations, warranties or covenants under this Agreement.

13.3 Indemnification Procedures. If any Party (or any of its affiliates, or their respective directors, officers, employees, agents and representatives) may be entitled to indemnification under this Section 13, such Party (the "Indemnified Party") shall promptly notify in writing the other Party (the "Indemnifying Party") thereof; *provided, however*, that the failure of the Indemnified Party to provide prompt notice shall not relieve the Indemnifying Party of its indemnity obligations hereunder, except to the extent the failure to so notify prejudices the Indemnifying Party's ability to defend against the Claim. The Indemnifying Party shall direct the defense and settlement of any such Claim, and shall have the right to employ counsel of its choice to defend any such claim, or to compromise, settle or otherwise dispose of the same, if the Indemnifying Party deems it advisable to do so, all at the expense of the

Indemnifying Party, *provided* that the Indemnifying Party shall not be permitted to settle, compromise or admit any fault or wrongdoing in respect of any Claim, or any issue or matter therein, on behalf of any indemnitee, without the prior written consent of the Indemnified Party, unless (i) the Indemnifying Party assumes full and sole responsibility for such settlement, compromise or admission of fault and such settlement, compromise or admission of fault grants the Indemnitee a complete and unqualified release in respect of any potential or resulting liability, obligation or burden and (ii) the indemnitee is fully indemnified against all such liability.

14. Force Majeure. Except with respect to payment obligations under this Agreement, if either Party is unable to perform any of its obligations hereunder due to any act of God, fire, casualty, flood, war, strike, shortage or any other cause beyond its reasonable control, and if such Party uses commercially reasonable efforts to avoid such occurrence and minimize its duration and gives prompt notice to the other Party, then such Party's performance shall be excused and the time for its performance shall be extended for the period of delay or inability to perform.

15. Standard Upgrades. All patches, bug fixes, and other standard upgrades of the Services made available by TradeBlock to its customers generally during the Term will be made available to Licensee at no additional charge. Any enhancements specific to Licensee and other non-standard upgrades, such as separate products, integration work, customization, and non-standard features, may be made available for an additional fee as set forth on the applicable Order.

16. Compliance with Laws. Licensee shall ensure that its implementation and use of the Services complies with all laws and regulations applicable to Licensee's business and geographic locations, and shall inform TradeBlock if such compliance requires any modification to TradeBlock's standard Services offerings. Upon Licensee's request, TradeBlock cannot guarantee but will endeavor to support Licensee's specific requirements for compliance with Applicable Laws and regulations, and any modification to

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TradeBlock's standard Services offerings requested or required by Licensee may require professional services work by TradeBlock and/or additional fees.

17. Third Party Applications. From time to time, TradeBlock may make available plug-in or add-on applications from third parties that integrate or interoperate with the Services (each, an "Application"). If Licensee, in its sole discretion, chooses to install, access, or enable an Application, Licensee acknowledges and agrees that the third-party provider of such Application may acquire access to Licensee's account data and information as required for the interoperation or integration of such Application, and that the Application shall be governed by its own terms and conditions and are not part of the Services under this Agreement. Licensee assumes full responsibility for any damages, losses, costs, or harms arising from the use of or inability to use any such Application. To the fullest extent permitted by Applicable Law, TradeBlock disclaims all liabilities with respect to Licensee's use of or inability to use any such Application and the performance or non-performance of such Application (including direct, indirect, incidental, punitive or consequential damages). TradeBlock has no obligation to monitor such Applications and does not control or endorse the content, messages or information found in such Applications and specifically disclaims any liability with regard to such content, messages or information. TradeBlock does not monitor or control the limitation, suspension or termination of their services and specifically disclaims any liability with regard to such Applications service limitation, suspension or termination. ANY AND ALL SUCH APPLICATIONS ARE PROVIDED "AS IS", AND TRADEBLOCK DOES NOT WARRANT, GUARANTEE, OR MAKE ANY REPRESENTATIONS REGARDING THE USE, THE RESULTS OF THE USE, OR THE BENEFITS OF THE APPLICATIONS, OR ANY INFORMATION CONTAINED THEREIN OR OTHERWISE PROVIDED, OR THAT THE APPLICATIONS WILL BE ERROR-FREE OR FREE FROM INTERRUPTIONS OR OTHER FAILURES. TRADEBLOCK HEREBY DISCLAIMS ALL REPRESENTATIONS, WARRANTIES AND OTHER TERMS AND CONDITIONS WITH REGARD TO

SUCH APPLICATIONS, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, AND NON-INFRINGEMENT.

18. Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when (a) delivered personally, (b) sent via a recognized overnight courier or via registered mail return receipt requested, or (c) sent via email (with a copy sent via a recognized overnight courier or via registered mail return receipt requested):

If to Licensee:

Grayscale Investments, LLC
290 Harbor Drive, Stamford, CT 06902
Attention: Edward McGee, Vice President, Finance
Telephone: +1 (212) 668-3911
Email: legal@grayscale.co

If to TradeBlock:

CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor, New York, NY 10003
Attention: Accounts and Operations
Telephone: +1 (646) 666-7304
E-mail: contact@tradeblock.com

19. Independent Contractors. The Parties are independent contractors and neither this Agreement nor the performance of Services shall create an association, partnership, joint venture, or relationship of principal and agent, master and servant, or employer and employee, between the parties; and neither Party will have the right, power or authority (whether expressed or implied) to enter into or assume any duty or obligation on behalf of the other Party.

20. Marketing. Licensee hereby authorizes TradeBlock to (a) list Licensee in TradeBlock's customer lists, and (b) use Licensee's name and logo on TradeBlock's website and other marketing materials

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solely for purposes of identifying Licensee as a customer of the Services, subject, in all cases and in each instance, to Licensee's prior written consent. TradeBlock hereby authorizes Licensee to (a) list TradeBlock in Licensee's preferred vendor lists, and (b) use TradeBlock's name and logo on Licensee's website and other marketing materials solely for purposes of identifying TradeBlock as a provider of the Services. In addition, TradeBlock may describe the Services used by Licensee and Licensee's experience with such Services, and TradeBlock may develop and make available a case study, magazine article, video, press release (including a win release announcement) and/or podcast related to Licensee's use of the Services (the "Content"); *provided, however*, that such Content may not be publicly used or distributed without prior written consent of Licensee. If Licensee notifies TradeBlock of any incorrect usage of its name or logo in connection with the foregoing, TradeBlock will promptly correct such usage.

21. Miscellaneous.

21.1 Entire Agreement. This Agreement, together with all exhibits attached hereto and all Orders that reference this Agreement, contains the entire agreement of the Parties, and supersedes any and all previous agreements addressed herein or with respect to the subject matter hereof, whether oral or written. In the event of any conflict between the terms of this Agreement (including any Order) and any Licensee-issued order form or purchase order, the terms of this Agreement (including the Order) shall control.

21.2 Amendments. No amendment to the terms set forth in this Agreement will be effective unless executed in writing by the Parties hereto.

21.3 Waiver. No failure of either Party to exercise or enforce any rights under this Agreement shall act as a waiver of such rights.

21.4 Assignment. Neither Party may assign or otherwise transfer this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior express written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, upon notice to the other

Party, each Party may assign this Agreement together with all rights and obligations hereunder, without consent of the other Party, in connection with a merger, acquisition, corporate reorganization, or transfer or sale of all or substantially all of its stock or assets that relate to this Agreement to or with any entity that is not a competitor to the other Party, *provided* that such assignee acknowledges and assumes in writing all responsibilities of such Party under this Agreement. Any purported assignment or transfer made in violation of this Section shall be null and void *ab initio*. The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their successors and permitted assigns.

21.5 Severability. If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions of this Agreement will remain in full force and the unenforceable provision shall be interpreted so as to render it enforceable while approximating the Parties' intent as closely as possible.

21.6 Governing Law. This Agreement and the relationship of the Parties shall be governed in all respects, including validity, interpretation, enforcement and effect, by the laws of the State of New York.

21.7 Disputes. If a dispute arises out of or relates to this Agreement or the breach thereof ("Dispute"), and if said Dispute cannot be settled through negotiation within thirty (30) days following notice of such Dispute sent by one Party to the other Party, it shall be finally resolved by arbitration in accordance with the United States Arbitration Act (9 U.S.C. 1 et seq.), administered in the County of New York, State of New York by the American Arbitration Association under its Commercial Arbitration Rules, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction. Each Party expressly waives its right to a trial by jury. The application of the UN Convention on Contracts for International Sale of Goods is expressly excluded.

21.8 Other. This Agreement should not be construed in favor of or against any Party by reason of the extent to which any party or its professional advisors participated in the preparation or drafting of this

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Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and all ancillary documents may be executed and delivered by facsimile or other emailed electronic signature and the receiving Party may rely on the receipt of such document by such means as if the original had been received. The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

21.9 Prior Agreement. The Master License Agreement between the Parties dated February 28, 2019 (the "Prior Agreement"), is hereby terminated by mutual agreement of the Parties, effective January 31, 2022, subject to any provision of the Prior Agreement that contemplates or governs performance or observance subsequent to its expiration or termination with respect to the subject matter thereof.

[signature page follows]

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IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative effective as of the Effective Date.

CoinDesk Indices, Inc.

Grayscale Investments, LLC

Signature: /s/ Kevin Worth

Signature: /s/ Michael Sonnenshein

Name: Kevin Worth

Name: Michael Sonnenshein

Title: Authorized Signatory

Title: CEO

Date: 2/1/2022

Date: 2/1/2022

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EXHIBIT A

Entity	Governing Document
1. Grayscale Bitcoin Trust (BTC), a Delaware statutory trust formed as of September 13, 2013	Fifth Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Bitcoin Trust (BTC), dated September 12, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 and Amendment No. 2 thereto and as the same may be further amended from time to time.
2. Grayscale Bitcoin Cash Trust (BCH), a Delaware statutory trust formed as of January 26, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Bitcoin Cash Trust (BCH), dated March 1, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
3. Grayscale Basic Attention Token Trust (BAT), a Delaware statutory trust formed as of December 18, 2020	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Basic Attention Token Trust (BAT), dated December 18, 2020, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as the same may be further amended from time to time.
4. Grayscale Chainlink Trust (LINK), a Delaware statutory trust formed as of December 18, 2020	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Chainlink Trust (LINK), dated December 18, 2020, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as the same may be further amended from time to time.
5. Grayscale Ethereum Trust (ETH), a Delaware statutory trust formed as of December 13, 2017	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Ethereum Trust (ETH), dated July 3, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 and Amendment No. 2 thereto and as the same may be further amended from time to time.
6. Grayscale Ethereum Classic Trust (ETC), a Delaware statutory trust formed as of April 18, 2017	Second Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Ethereum Classic Trust (ETC), dated February 28, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
7. Grayscale Filecoin Trust (FIL), a Delaware statutory trust formed as of October 15, 2020	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Filecoin Trust (FIL), dated October 15, 2020, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as the same may be further amended from time to time.
8. Grayscale Horizen Trust (ZEN), a Delaware statutory trust formed as July 3, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Horizen Trust (ZEN), dated August 6, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.
9. Grayscale Litecoin Trust (LTC), a Delaware statutory trust formed as of January 26, 2018	Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Litecoin Trust (LTC), dated March 1, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time.

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| 10. Grayscale Livepeer Trust (LPT),
a Delaware statutory trust formed as of December 18, 2020 | Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Livepeer Trust (LPT), dated December 18, 2020, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as the same may be further amended from time to time. |
| 11. Grayscale Decentraland Trust (MANA),
a Delaware statutory trust formed as of December 18, 2020 | Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Decentraland Trust (MANA), dated December 18, 2020, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as the same may be further amended from time to time. |
| 12. Grayscale Solana Trust,
a Delaware statutory trust formed as of November 8, 2021 | Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Decentraland Trust (MANA), dated November 9, 2021, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as the same may be further amended from time to time. |
| 13. Grayscale Stellar Lumens Trust (XLM),
a Delaware statutory trust formed as of October 26, 2018 | Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Stellar Lumens Trust (XLM), dated December 4, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time. |

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| 14. Grayscale Zcash Trust (ZEC),
a Delaware statutory trust formed as of October 23, 2017 | Amended and Restated Declaration of Trust and Trust Agreement of Grayscale Zcash Trust (ZEC), dated July 3, 2018, by and among Grayscale Investments, LLC, Delaware Trust Company and the Shareholders from time to time thereunder, as amended by Amendment No. 1 thereto and as the same may be further amended from time to time. |
| 15. Grayscale Decentralized Finance (DeFi) Fund LLC
a Cayman Islands limited liability company formed as of June 10, 2021 | Amended and Restated Limited Liability Company Agreement of Grayscale Decentralized Finance (DeFi) Fund LLC, dated June 30, 2021, by and among Grayscale Investments, LLC, as the same may be amended from time to time. |
| 16. Grayscale Digital Large Cap Fund LLC, a Cayman Islands limited liability company formed as of January 25, 2018 | Second Amended and Restated Limited Liability Company Agreement of Grayscale Digital Large Cap Fund LLC, dated March 7, 2018, by and among Grayscale Investments, LLC, as the same may be amended from time to time. |

Any other entity that Licensee may sponsor or manage from time to time that holds a digital asset for which TradeBlock provides a reference rate or index, *provided* Licensee notifies TradeBlock in writing of the name and associated governing document of such entity.

Certain confidential information contained in this document, marked by [], has been omitted because the Registrant has determined that the information (i) is not material and (ii) would likely cause competitive harm to the Registrant if publicly disclosed.**

Certain confidential information contained in this document, marked by [**], has been omitted because the Registrant has determined that the information (i) is not material and (ii) would likely cause competitive harm to the Registrant if publicly disclosed.

CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor
New York, NY 10003

EXHIBIT B

ORDER NO. 1

This Order No. 1 (the “Order”) is entered into in connection with that certain Master Index License Agreement, by and between CoinDesk Indices, Inc. (formerly known as TradeBlock, Inc.) and Grayscale Investments, LLC, dated January 31, 2022 (the “Agreement”). This Order is incorporated by reference into the Agreement, and shall be governed by the terms set forth in the Agreement. To the extent of any conflict between this Order and the Agreement, such term in the Agreement shall prevail. Capitalized terms used but not defined herein have the meanings given to them in the Agreement.

1. Term of Order

Start Date: February 1, 2022

End Date: February 29, 2024

[**]

2. Licensed Indexes

	<u>Licensed Index</u>		<u>Digital Asset</u>
ADX		Cardano (ADA)	
BCX		Bitcoin Cash (BCH)	
BTX		Basic Attention Token (BAT)	
DFX		Digital assets included in the CoinDesk DeFi Index (DFX)	
ECX		Ethereum Classic (ETC)	
ETX		Ethereum (ETH)	
LNK		Chainlink (LINK)	
LTX		Litecoin (LTC)	
SLX		Solana (SOL)	
UNX		Uniswap (UNI)	
XBX		Bitcoin (BTC)	
XLMX		Stellar Lumens (XLM)	
ZCX		Zcash (ZEC)	

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CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor
New York, NY 10003

Any other investment fund that Licensee sponsors or manages, which holds a digital asset for which TradeBlock provides an index, *provided* Licensee notifies TradeBlock regarding such entity and TradeBlock consents in writing to adding such entity to this exhibit (commencing as of the date of TradeBlock's consent notice to Licensee).

The Licensed Indexes are each a US Dollar-denominated composite reference rate for the price of the Digital Asset listed opposite such Licensed Index's name in the table above, accessible via <https://tradeblock.com> and an application programming interface ("API"). Data inputs for the Licensed Indexes may include trades from exchanges, over-the-counter markets, or derivative platforms. Inclusion of data from each trading venue is guided by criteria such as depth of liquidity, regulatory compliance, data availability, acceptance of US Dollar deposits, and the discretion of TradeBlock analysts. To calculate the reference rate, trade data is cleansed and compiled in such a manner as to algorithmically reduce the impact of anomalous or manipulative trading. This is accomplished by adjusting the weight of each data input based on price deviation relative to the observable set, as well as recent and long-term trading volume at each venue relative to the observable set.

3. Related Services to be Provided by TradeBlock

TradeBlock will make the following available to Licensee for each Licensed Index:

- Automated calculation of the Digital Asset reference price based on the applicable Licensed Index at 4:00 PM EST each weekday on which banks are open in New York, provided via email, API, or both
- An API with the latest Licensed Index rate
- Raw, historical Licensed Index rate data upon request via API for all days which the Licensed Index is used as the reference rate for the applicable Digital Asset

TradeBlock will make the following publicly available on tradeblock.com for each Licensed Index:

- Interactive charting to view the Licensed Index rate over time relative to its constituent inputs (for all publicly-available inputs)
- Conceptual information about the calculations underlying the Licensed Index rate
- The latest Licensed Index rate, observable via web browser

4. VWAP Algorithm

In addition to the Licensed Indexes licensed to Licensee pursuant to Section 5.1(ii) (and Section 5.1(iii), if applicable), Licensors has created a unique volume-weighted average price algorithm applied to the price and volume of all inputs for the immediately preceding 24-hour period at 4:00:00 PM on the trade date (the "VWAP Algorithm"). The VWAP Algorithm is licensed to Licensee pursuant to Section 5.1(i) of the main body of the Agreement.

5. Operational Milestones

TradeBlock will use commercially reasonable efforts to achieve the following operational milestones by the specified deadlines; *provided, however*, that failure to achieve any of these milestones by the specified deadline shall not be a breach of this Order (or the Agreement), but will be pertinent to both (i) the associated fee discounts specified on the table below (and in Section 6 below) and (ii) Licensee's right to terminate this Order (and the Agreement) early as set forth below.

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CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor
New York, NY 10003

Operational Milestone	Deadline	Discount
Begin compliance process for SOC 2 Type 2 report	June 30, 2021	[**]
Establish index governance committee	July 31, 2021	[**]
Obtain SOC 1 Type 2 and SOC 2 Type 2 reports	For the period ended 12/31/21 (Delivery Q1 2023)	[**]

Notwithstanding anything to the contrary in this Order (or the Agreement), if all of the operational milestones specified on the table above are not achieved by TradeBlock by the second anniversary of the Start Date of this Order, then Licensee may terminate this Order (and the Agreement) immediately upon written notice to TradeBlock.

6. Fees

Monthly Fee Calculation

Licensee shall pay TradeBlock:

- (i) [**] per Licensed Index per month;¹ plus
- (ii) The volume-based fee accrued and calculated daily at an annualized rate (based on the applicable Rate per the Volume-Based Fee Schedule(s) below divided by 365) of the aggregated Holdings of all Entities listed in Exhibit A to the Agreement. Holdings will be calculated based on the definition in the applicable Entity's Governing Document listed opposite such Entity's name in Exhibit A to the Agreement.

Notwithstanding the foregoing, if any of the operational milestones specified in Section 5 of this Order are not achieved by TradeBlock by the associated deadline also specified in Section 5, then the aggregate monthly fee under this Order for each month thereafter shall be reduced by the applicable discount also specified in Section 5 until such operational milestone is achieved.

Volume-Based Fee Schedule for Entities Using Licensed Indexes (and any other Services) Licensed under Section 5.1 of the Agreement

[**]

Annual volume-based fee calculation:

[**]

¹ For the avoidance of doubt, any Licensed Index added to Licensed Indexes on Table 2 hereto on a date other than the first day of a month shall be charged on a pro-rated basis.

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250 Park Avenue South, 2nd Floor
New York, NY 10003

Daily volume-based fee calculation (each example continued):

[**]

[order signature page follows]

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B-4

Certain confidential information contained in this document, marked by [], has been omitted because the Registrant has determined that the information (i) is not material and (ii) would likely cause competitive harm to the Registrant if publicly disclosed.**

CoinDesk Indices, Inc.
250 Park Avenue South, 2nd Floor
New York, NY 10003

Agreed and Acknowledged:

Grayscale Investments, LLC

Signature: /s/ Michael Sonnenshein
Name: Michael Sonnenshein
Title: CEO
Date: 2/1/2022

CoinDesk Indices, Inc.

Signature: /s/ Kevin Worth
Name: Kevin Worth
Title: Authorized Signatory
Date: 2/1/2022

Certain confidential information contained in this document, marked by [], has been omitted because the Registrant has determined that the information (i) is not material and (ii) would likely cause competitive harm to the Registrant if publicly disclosed.**



POWER OF STABILITY. SPIRIT OF AGILITY.

Requirements of
Continental Stock Transfer & Trust Company
As Transfer Agent and Registrar

#90371420v2



Requirements of
Continental Stock Transfer & Trust Company as Transfer Agent and Registrar

1. Agreement and Certified Copy of Board Resolution for our Appointment as Transfer Agent and Registrar.
2. Charter or Certificate of Incorporation and any Amendments thereto certified by the proper official of the State of Incorporation, under original seal, or with evidence of their filing.
3. By-Laws and any amendments thereto certified by the Corporate Secretary.
4. Corporate Information including Authorized Signatories and Specimen Signatures (forms enclosed).
5. Form W-9, Request for Taxpayer Identification Number and Certification, signed by an authorized officer of the entity.
6. Supply of stock certificates signed by proper officers of the Corporation, if applicable.
NOTE: PROOFS OF THE CERTIFICATES MUST BE SUBMITTED TO AND APPROVED BY US BEFORE PRINTING.
7. Opinion of Counsel for the Corporation advising as to:
 - (a) the proper organization of the Corporation;
 - (b) the legality of the issuance of its presently issued Capital Stock and Capital Stock being issued in connection with a public offering;
 - (c) the full compliance as to the aforementioned Capital Stock with the Federal Securities Act of 1933, as amended, or the reason and statutory reference under which exemption is claimed if registration under said Act is not necessary; and
 - (d) advice as to the details of any and all reserves of Capital Stock.
8. If any of the certificates of stock for which the Transfer Agent and Registrar will act are issued and outstanding prior to our appointment:
 - (a) a certified list of all stockholders showing their names, addresses, number of shares and certificate numbers held, certified by the Corporate Secretary under the Corporate seal;
 - (b) a letter signed by the Corporate Secretary listing all stock certificates against which stop transfer orders are in force, together with the nature and reason for such stop orders or, if no such stop orders are in force, a statement to that effect; and
 - (c) letter signed by the Corporate Secretary giving the numbers of any unused stock certificates and advising that such certificates have been destroyed or cancelled.

Initial Public Offering clients: please provide a letter of instruction, signed by two corporate officers, authorizing and directing the Transfer Agent and Registrar to issue securities in accordance with the underwriter's instructions or the Company's instructions, as the case may be

CSTT 2016

Confidential and Proprietary Information

TRANSFER AGENCY AND REGISTRAR SERVICES AGREEMENT

This Transfer Agency and Registrar Services Agreement (this “**Agreement**”), dated as of July 11, 2018 is between Zen Investment Trust (the “**Trust**”), a Delaware statutory trust, and Continental Stock Transfer & Trust Company, a New York limited purpose trust company (“**CST**”).

1. Appointment as Transfer Agent. The Trust hereby appoints CST to act as sole transfer agent and registrar for the shares of the Trust and for any such other securities as set forth in Exhibit A hereto (which the Trust shall update as necessary to keep complete and accurate) and as the Trust may request in writing (the “**Shares**”) in accordance with the terms and conditions hereof, and CST hereby accepts such appointment. In connection with the appointment of CST as transfer agent and registrar for the Trust, the Trust shall provide CST: (a) Specimens of all forms of outstanding stock certificates, in the forms approved by the Trust’s sponsor, Grayscale Investments, LLC (the “**Sponsor**”), with a certificate of the secretary of the Sponsor as to such approval; (b) Specimens of the signatures of the officers of the Sponsor authorized to sign stock certificates and specimens of the signatures of the individuals authorized to sign written instructions and requests; (c) A copy of the declaration of trust and trust agreement of the Trust and, on a continuing basis, copies of all material amendments to such declaration of trust and trust agreement made after the date of this Agreement (such amendments to be provided promptly after such amendments are made); and (d) A sufficient supply of blank certificates signed by (or bearing the facsimile signature of) the officers of the Sponsor authorized to sign stock certificates on behalf of the Trust and bearing the Trust’s corporate seal (if required). CST may use certificates bearing the signature of a person who at the time of use is no longer an officer of the Sponsor. Whenever the terms “shares” or stock “certificates” are used herein they shall include physical stock certificates as well book entry and/or DRS positions.

2. Additional Services. CST may provide further services to, or on behalf of, the Trust as may be agreed upon between the Trust and CST. Should CST so elect, CST shall be entitled to provide services to reunify shareholders with their assets, provided the Trust incurs no additional charge for such services. Furthermore, CST shall provide information agent and proxy solicitation services to the Trust on terms to be mutually agreed upon by the parties hereto. This agreement shall include CST’s additional authority as successor Exchange Agent on pre-existing exchanges and as Exchange Agent, Paying Agent or Dividend Disbursing Agent on any additional shares of said class or additional classes of stock which may hereafter be authorized by the Trust. If CST is designated as Exchange Agent or Paying Agent in connection with a corporate action, CST’s authority will continue thereafter for escheatment and/or merger cleanup services for such transactions.

3. Trust Representations and Warranties.

a. The Trust represents and warrants to CST that: (i) it is a statutory trust duly organized and validly existing and in good standing under the laws of the state of its formation; (ii) it is empowered under applicable laws and governing instruments to enter into and perform this Agreement; and (iii) all corporate proceedings required by such governing instruments and applicable law have been taken to authorize it to enter into and perform this Agreement.

b. All shares to be issued during the term of this appointment shall be duly authorized, validly issued, fully paid and non-assessable. Any shares not registered under the Securities Act of 1933 and the Securities Exchange Act of 1934 shall be issued or transferred in a transaction or series of transactions exempt from the registration provisions of the relevant law, and in each such issuance or transfer, the Trust be so advised by its legal counsel’s opinion and all shares issued or to be issued bear or shall bear all appropriate legends.

c. The Trust shall promptly advise CST in writing of any change in the capital structure of the Trust, and the Trust shall promptly provide CST with shareholder consent authorizing any recapitalization of the Shares or change in the number of issued or authorized Shares.

d. When certificates of the Trust’s stock shall be presented to it for transfer and registration, CST is hereby authorized to refuse to transfer and register the same until it is satisfied that the requested transfer is legally in order; and that the Trust, shall indemnify and hold harmless CST, and CST shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized. CST may rely upon the Uniform Commercial Code and

generally accepted industry practice in effecting transfers, or delaying or refusing to effect transfers. If, on a transfer of a restricted item, the Trust's counsel fails to issue an opinion or to provide adequate reasons therefore within ten business days of a request to do so, CST is authorized, but not required, to process such transfer upon receipt of an appropriate opinion of presenter's counsel.

4. CST's Reliance.

a. CST may act and rely on, and shall incur no liability and shall be fully indemnified by the Trust from any liability whatsoever in acting in accordance with, written or oral instructions received from any person it believes in good faith to be an officer, authorized agent or employee of the Trust, unless prior thereto (i) the Trust shall have advised CST in writing that it is entitled to act and rely only on written instructions of designated officers of the Sponsor; (ii) it furnishes CST with an appropriate incumbency certificate for such officers and their signatures; and (iii) the Trust thereafter keeps such designation current with an annual (or more frequent, if required) re-filing. CST may also act and rely on advice, opinions or instructions received from the Trust's legal counsel. CST may, in any event, act and rely without liability on advice received from its legal counsel.

b. CST may act and rely on, and shall incur no liability and shall be fully indemnified by the Trust from any liability whatsoever in acting in accordance with: (i) any writing or other instruction believed by it in good faith to have been furnished by or on behalf of the Trust or a holder of one or more Shares (a "**Shareholder**"), including, but not limited to, any certificate, instrument, opinion, notice, letter, stock power, affidavit or other document or security; (ii) on any statement of fact contained in any such writing or instruction which CST in good faith does not believe to be inaccurate; (iii) on the apparent authority of any person to act on behalf of the Trust or a Shareholder as having actual authority to the extent of such apparent authority; (iv) on the authenticity and genuineness of any signature (manual or facsimile) appearing on any writing, including, but not limited to, any certificate, instrument, opinion, notice, letter, stock power, affidavit or other document or security; and (v) on the conformity to original of any copy. CST shall further be entitled to rely on any information, records and documents provided to CST by a former transfer agent or former registrar on behalf of the Trust. CST is authorized by the Trust to respond to subpoenas and/or document requests from the SEC without further authorization, and may bill the Trust for reasonable compliance costs.

c. When CST deems it expedient, it may apply to the Trust, or the counsel for the Trust, or to its own counsel for instructions and advice, that the Trust will promptly furnish or will cause its counsel to furnish such instructions and advice, and, for any action taken in accordance with such instructions or advice, or in case such instructions and advice shall not be promptly furnished as required by this resolution, the Trust will indemnify and hold harmless CST from any and all liability, including attorney fees and court costs. CST may, at its discretion, but shall have no duty to prosecute or defend any action or suit arising out of authorizations hereby granted unless the Trust shall, when requested, furnish it with funds or the equivalent to defray the costs of such prosecution or defense. CST may, without liability to CST, refuse to perform any act in connection with this Agreement when, in good faith reliance on opinion of its counsel, it believes such act may subject it to civil or criminal liability under any statute or law of any state or of the United States and, in particular, under the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended.

5. Compensation. CST shall be entitled to reasonable compensation for all services rendered (in accordance with the Fee Agreement) and shall be reimbursed for all expenses incurred, including without limitation legal costs and costs of responding to subpoenas and SEC requests related to the Trust's records (regardless of whether CST is still an Agent for the Trust) in connection with its acting as Agent. In the event that the scope of services to be provided by CST is increased substantially, the parties shall negotiate in good faith to determine reasonable compensation for such additional services. In the event that the Trust, without terminating this Agreement in its entirety, retains a third-party to provide services already provided hereunder, the Trust shall pay to CST a reasonable fee to compensate CST for costs associated with interfacing with such third-party as mutually agreed upon by the Trust and CST. On termination of its services as Agent, CST shall be entitled to reasonable additional compensation for the service of preparing records for delivery to the successor agent or to the Trust, and for forwarding and maintaining records with respect to certificates received after such termination.

6. Performance of Services. In the event that the Trust commits any breach of its material obligations to CST, including non-payment of any amount owing to CST, and such breach remains uncured for more than forty-five (45) days, CST shall have the right to terminate or suspend its services upon notice to the Trust. During such time as CST may suspend its services, CST shall have no obligation to act as transfer agent and/or registrar on behalf of the Trust, shall have no duties to act in such capacity and shall have a lien on the Trust's records until it receives payment in full. Such suspension shall not affect CST's rights under this Agreement. On termination of the appointment of CST for any reason, CST will perform its services in assisting with the transfer of records in a diligent and professional manner.

7. CST as Distributor of Funds. All funds received by CST for distribution on behalf of the Trust will be deposited by CST in a segregated bank account.

8. Lost Certificates. CST shall be authorized to issue replacement certificates for stock certificates claimed by a Shareholder to have been lost, stolen or mutilated upon receipt of an affidavit of the Shareholder to such effect and receipt of payment from the Shareholder of a premium for CST's services and an indemnity bond purchased through CST or, at the option of the Shareholder, any surety company reasonably acceptable to CST.

9. Overissuance. If CST receives a stock certificate not reflected in its records, CST will research records, if any, delivered to it upon its appointment as transfer agent from a prior transfer agent (or from the Trust). If such records do not exist or if such certificate cannot be reconciled with such records, then CST will notify the Trust. If neither the Trust nor CST is able to reconcile such certificate with any records (so that the transfer of such certificate on the records maintained by CST would create an overissue), the Trust shall within sixty (60) days either: (i) increase the number of its issued Shares, or (ii) acquire and cancel a sufficient number of issued Shares to correct the overissue.

10. Confidentiality. CST acknowledges that it will acquire information and data from the Trust, and such information and data are confidential and proprietary information of the Trust (collectively, "**Confidential Information**"). Confidential Information may include, but shall not be limited to, information related to clients, business plans, shareholders, business processes, and other related data, all in any form whether electronic or otherwise, that CST acquires in connection with this Agreement. Confidential Information will not include, however, any information that (i) was in the possession of CST at the commencement of the services contemplated under this Agreement, (ii) became part of the public domain through no fault of CST or (iii) became rightfully known to CST or its affiliates through a third party with no obligation of confidentiality to the Trust, or (iv) is independently developed by CST. CST agrees not to disclose the Confidential Information to others (except as required by law or permitted by CST's privacy policy then in effect) or use it in any way, commercially or otherwise, except in performing services hereunder, and shall not allow any unauthorized person access to the Confidential Information. CST further agrees to exercise at least the same degree of care as it uses with regard to its own confidential information, but in no event less than reasonable degree of care, in protecting the Confidential Information.

11. Limitations on CST's Responsibilities. CST shall not be responsible for the validity of the issuance, presentation or transfer of stock, the genuineness of endorsements, the authority of presenters, or the collection or payment of charges or taxes incident to the issuance or transfer of stock. CST may, however, delay or decline an issuance or transfer if it deems it to be in its or the Trust's best interests to receive evidence or assurance of such validity, authority, collection or payment. CST shall not be responsible for any discrepancies in its records or between its records and those of the Trust, if it is a successor transfer agent or successor registrar, caused by or arising from a difference or error in predecessor records. CST shall not be deemed to have notice of, or be required to inquire regarding, any provision of the Trust's declaration of trust and trust agreement, any court or administrative order, or any other document, unless it is specifically advised of such in a writing from the Trust, which writing shall set forth the manner in which it affects the Shares. In no event shall CST be responsible for any transfer or issuance not effected by it.

12. Limitations on CST's Liability. In no event shall CST have any liability for any incidental, special, statutory, indirect or consequential damages, or for any loss of profits, revenue, data or cost of cover. CST's liability arising out of or in connection with its acting as Agent for the Trust shall not exceed the aggregate amount of all fees (excluding expenses) paid under this Agreement in the twelve (12) month period immediately preceding the date of the first event giving rise to liability.

13. Indemnities. From and at all times after the date of this Agreement, the Trust covenants and agrees to defend, indemnify, reimburse and hold harmless CST and its officers, directors, employees, affiliates and agents (each, an “**Indemnified Party**”) against any actions, claims, losses, liability or reasonable expenses (including legal and other fees and expenses) incurred by or asserted against any Indemnified Party, including by the Trust, arising out of or in connection with entering into this Agreement, the performance of CST’s duties thereunder, or the enforcement of the indemnity hereunder, except for such losses, liabilities or expenses incurred as a result of an Indemnified Party’s gross negligence, bad faith or willful misconduct. The Trust shall not be liable under this indemnity with respect to any claim against an Indemnified Party unless the Trust is notified of the written assertion of such a claim, or of any action commenced against an Indemnified Party, promptly after CST shall have received any such written information as to the nature and basis of the claim; provided, however, that failure by CST to provide such notice shall not relieve the Trust of any liability hereunder if no prejudice occurs. All provisions regarding indemnification, liability and limits thereon shall survive the termination of this Agreement.

14. Force Majeure. CST is not liable for failure or delay in the performance of its obligations under this Agreement if such failure or delay is due to causes beyond its reasonable control, including but not limited to Acts of God (including fire, flood, earthquake, storm, hurricane or other natural disaster), war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, cyber-attack, nationalization, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption or failure of electricity or telephone service or any other force majeure event. The Trust is not entitled to terminate this Agreement under Section 6 (Performance of Services) in such circumstances.

15. No Third Party. This Agreement, when executed by the Trust, shall constitute the full agreement between it and CST and shall not be amended or modified except in writing signed by both parties. CST shall act solely as agent for the Trust under this Agreement and owes no duties hereunder to any other person or entity. CST undertakes to perform the duties and only the duties that are specifically set forth herein, and no implied covenants or obligations should be read into this Agreement against it. No rights shall be granted to any other person by virtue of this Agreement, and there are no third party beneficiaries of this Agreement.

16. Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of New York, without giving effect to the conflict of laws principles thereof.

17. Jurisdiction and Venue. In the event that any party hereto commences a lawsuit or other proceeding relating to or arising from this Agreement or services provided hereunder, the parties hereto agree that the United States District Court for the Southern District of New York shall have the sole and exclusive jurisdiction over any such proceeding. If such court lacks federal subject matter jurisdiction, the parties hereto agree that the Supreme Court of the State of New York within New York County shall have sole and exclusive jurisdiction. Any final judgment shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Any of these courts shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum. The parties hereto consent to and agree to submit to the jurisdiction of any of the courts specified herein and agree to accept service of process by mail to vest personal jurisdiction over them in any of these courts. Each party hereto irrevocably and unconditionally waives any right to a trial by jury.

18. Assignment. CST may assign this Agreement or any rights granted thereunder, in whole or in part, either to affiliates, another division, subsidiaries or in connection with its reorganization or to successors of all or a majority of CST’s assets or business without the prior written consent of the Trust.

19. Term: The initial term of this Agreement shall be three (3) years from the date hereof and the appointment shall automatically be renewed for further three (3) year successive terms with the same transaction provisions without further action of the parties, unless written notice is provided by either party at least ninety (90) days prior to the end of the initial or any subsequent three (3) year period. The term of this appointment shall be governed in accordance with this paragraph, notwithstanding the cessation of active trading in the capital stock of the Trust or discontinuance of services for non-payment.

Certificate of Secretary, *continued*

20. Trust Information. The Sponsor shall provide such certified documents, opinions of counsel, certificates, specimen signatures of officers and information as CST may require in connection with its duties hereunder, and immediately upon any change therein which might affect CST in its duties, to give CST written notice and to furnish such additional certified documents, certificates, specimen signatures of officers and information as CST may require, it being understood and agreed that CST shall be fully protected and held harmless for the failure of the Sponsor to give proper and sufficient notice of any such change.

21. DTCC Fast Program. At any time that the Trust shall elect to have its shares traded and processed in the DTCC FAST electronic program, it shall do so upon approval of its Sponsor, which shall agree to adhere to DTCC's Balance Certificate Agreement (incorporated by reference herein) as it shall be amended from time to time.

22. Notices. The address of the Sponsor to which notices may be sent is 636 Avenue of the Americas, 3rd Floor, New York, New York 10011. The address of CST to which notices may be sent is Continental Stock Transfer & Trust Company, 17 Battery Place, 8th Floor, New York, NY 10004 attention: Account Administration.

**CONTINENTAL STOCK TRANSFER & TRUST
COMPANY**

By: /s/ Isaac Kagan

Its: Vice President

Date: July 11, 2018

ZEN INVESTMENT TRUST

**By: Grayscale Investments, LLC, as Sponsor of the Zen
Investment Trust**

/s/ Michael Sonnenshein

By: Michael Sonnenshein

Its: Managing Director

Date: July 11, 2018

CSTT 2016

Confidential and Proprietary Information | Continental Stock Transfer & Trust Company

Certificate of Officer

I, _____, Officer of Grayscale Investments, LLC, a limited liability company duly organized and existing under the laws of the State of Delaware, (the "Sponsor") do hereby certify on behalf of Zen Investment Trust (the "Trust"):

A. That, accompanying this Certificate are:

1. A copy of the Declaration of Trust of the Trust, with all amendments to date, duly certified under official seal by the state officer having custody of the original thereof or with evidence of their filing;
2. A Corporate Information Form; and
3. An opinion by counsel for the Trust covering the validity of the outstanding shares and their exemption from registration under the Securities Act of 1933, as amended.

B. That the total authorized shares of the Trust is unlimited. There is now issued no shares of stock.

IN WITNESS WHEREOF, I have hereunto set my hand, this _____, 2018.

Officer

Agreed to and Accepted:

Continental Stock Transfer & Trust Company

By _____
Title



Corporate Information

Corporate Information

Federal ID/EIN
Company
Address

Telephone
Website

Principal Name
Title
Telephone
Fax
Email Address

Accounting (Please note our invoices are delivered electronically)

Contact
Name
Title
Address
Telephone
Facsimile
Email

Contact (*if different*)
Name
Title
Address
Telephone
Fax
Email

SEC Counsel (for opinions)

Firm
Address

Contact
Telephone
Fax
Email Address

Company's General Counsel (if applicable)

Firm
Address

Contact
Telephone
Fax
Email Address

CSTT 2016
Confidential and Proprietary Information



List of Officers and Directors Authorized to Provide
Instructions Relating to Issuances of Shares and Corporate Actions
on Behalf of:

--

OFFICERS and DIRECTOR SIGNATORIES:

Name	Title	Signature

BOARD of DIRECTORS:

Name	Title



Information Statement

GRAYSCALE HORIZEN TRUST (ZEN)

Grayscale Horizen Trust (ZEN) (formerly known as “Horizen Investment Trust”) (the “Trust”) issues common units of fractional undivided beneficial interest (“Shares”), which represent ownership in the Trust. The Trust’s purpose is to hold Horizen (“ZEN”), which are digital assets that are created and transmitted through the operations of the peer-to-peer Horizen Network, a decentralized network of computers that operates on cryptographic protocols. The Trust issues Shares only in one or more blocks of 100 Shares (a block of 100 Shares is called a “Basket”) to certain authorized participants from time to time. Baskets are offered in exchange for ZEN. Shares are distributed by Genesis Global Trading Inc. (“Genesis”), acting as the sole authorized participant (“Authorized Participant”), through sales in private placement transactions exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506(c) thereunder. The Shares are quoted on OTCQX under the ticker symbol “HZEN.”

The Trust’s investment objective is for the value of the Shares (based on ZEN per Share) to reflect the value of ZEN held by the Trust, determined by reference to the Reference Rate Price (as defined herein), less the Trust’s expenses and other liabilities. To date, the Trust has not met its investment objective and the Shares quoted on OTCQX have not reflected the value of ZEN held by the Trust, less the Trust’s expenses and other liabilities, but have instead traded at both premiums and discounts to such value, which at times have been substantial. In the event the Shares trade at a substantial premium, investors who purchase Shares on OTCQX will pay substantially more for their Shares than investors who purchase Shares in the private placement. The value of the Shares may not reflect the value of the Trust’s ZEN, less the Trust’s expenses and other liabilities, for a variety of reasons, including the holding period under Rule 144 for Shares purchased in the private placement, the lack of an ongoing redemption program, any halting of creations by the Trust, ZEN price volatility, trading volumes on, or closures of, exchanges where digital assets trade due to fraud, failure, security breaches or otherwise, and the non-current trading hours between OTC Markets Group Inc.’s OTCQX® Best Marketplace and the global exchange market for trading ZEN. As a result, the Shares may continue to trade at a substantial premium over, or a substantial discount to, the value of the Trust’s ZEN, less the Trust’s expenses and other liabilities, and the Trust may be unable to meet its investment objective for the foreseeable future. While an investment in the Shares is not a direct investment in ZEN, the Shares are designed to provide investors with a cost-effective and convenient way to gain investment exposure to ZEN.

Grayscale Investments, LLC is the sponsor and administrator of the Trust (the “Sponsor”), Delaware Trust Company is the trustee of the Trust (the “Trustee”), Continental Stock Transfer & Trust Company is the transfer agent of the Trust (in such capacity, the “Transfer Agent”) and Coinbase Custody Trust Company, LLC is the custodian of the Trust (the “Custodian”). The Shares are neither interests in nor obligations of the Sponsor or the Trustee.

Investments in the Shares involves significant risks. See “Risk Factors” starting on page 12.

The date of this Information Statement is May 4, 2022

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Neither the Sponsor nor the Trust have authorized anyone to provide you with information different from that contained in this Information Statement or any amendment or supplement to this Information Statement prepared by us or on our behalf. Neither the Sponsor nor the Trust take any responsibility for, or can provide any assurance as to the reliability of, any information other than the information in this Information Statement or any amendment or supplement to this Information Statement prepared by the Sponsor, the Trust or on the Trust’s behalf. The information in this Information Statement is accurate only as of the date of this Information Statement.

In this Information Statement, unless otherwise stated or the context otherwise requires, “we,” “our” and “us” refers to the Sponsor acting on behalf of the Trust.

Industry and Market Data

Although we are responsible for all disclosure contained in this Information Statement, in some cases we have relied on certain market and industry data obtained from third-party sources that we believe to be reliable. Market estimates are calculated by using independent industry publications in conjunction with our assumptions regarding the ZEN industry and market. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings “Forward-Looking Statements” and “Risk Factors” in this Information Statement.

FORWARD-LOOKING STATEMENTS

This Information 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 Information 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 Information Statement, including the particular risks associated with new technologies such as Horizen and blockchain technology;
- the Trust’s inability to redeem Shares;
- the inability of the Trust to meet its investment objective;
- economic conditions in the Horizen industry and market;
- general economic, market and business conditions;
- global or regional political, economic or financial conditions, events and situations;
- the use of technology by us and our vendors, including the Custodian, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations;
- our ability to maintain a positive reputation; and
- other world economic and political developments.

Consequently, all the forward-looking statements made in this Information 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 the risks discussed under “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.

DETERMINATION OF NAV

The Trust's ZEN is carried, for financial statement purposes, at fair value, as required by U.S. generally accepted accounting principles ("GAAP"). The Trust determines the fair value of ZEN based on the price provided by the Digital Asset Market (defined below) that the Trust considers its principal market as of 4:00 p.m., New York time, on the valuation date. The net asset value of the Trust determined on a GAAP basis is referred to in this Information Statement as "NAV." "Digital Asset Market" means a "Brokered Market," "Dealer Market," "Principal-to-Principal Market" or "Exchange Market," as each such term is defined in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Master Glossary.

To determine which market is the Trust's principal market (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Trust's NAV, the Trust follows FASB ASC 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for ZEN in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Trust to assume that ZEN is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

The Trust only receives ZEN from the Authorized Participant and does not itself transact on any Digital Asset Markets. Therefore, the Trust looks to the Authorized Participant when assessing entity-specific and market-based volume and level of activity for Digital Asset Markets. The Authorized Participant transacts in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB ASC Master Glossary. The Authorized Participant, as a related party of the Sponsor, provides information about the Digital Asset Markets on which it transacts to the Trust. In determining which of the eligible Digital Asset Markets is the Trust's principal market, the Trust reviews these criteria in the following order:

- First, the Trust reviews a list of Digital Asset Markets and excludes any Digital Asset Markets that are non-accessible to the Trust and the Authorized Participant. The Trust or the Authorized Participant does not have access to Digital Asset Exchanges that do not have a BitLicense and has access only to non-Digital Asset Exchange Markets that the Authorized Participant reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.
- Second, the Trust sorts the remaining Digital Asset Markets from high to low by entity-specific and market-based volume and activity of ZEN traded on each Digital Asset Market in the trailing twelve months.
- Third, the Trust then reviews intra-day pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.
- Fourth, the Trust then selects a Digital Asset Market as its principal market based on the highest market volume, activity and price stability in comparison to the other Digital Asset Markets on the list. Based on information reasonably available to the Trust, Exchange Markets have the greatest volume and level of activity for the asset. The Trust therefore looks to accessible Exchange Markets as opposed to the Brokered Market, Dealer Market and Principal-to-Principal Markets to determine its principal market. As a result of the aforementioned analysis, an Exchange Market has been selected as the Trust's principal market.

The Trust determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market's trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Trust has access to, or (iii) if recent changes to each Digital Asset Market'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.

The cost basis of the investment in ZEN recorded by the Trust for financial reporting purposes is the fair value of ZEN 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.

The Trust performed an assessment of the principal market as of December 31, 2021, in accordance with its accounting policy, and identified the principal market as Coinbase Pro.

The Trust's investment objective is for the value of the Shares (based on ZEN per Share) to reflect the value of ZEN held by the Trust, determined by reference to the Reference Rate Price, less the Trust's expenses and other liabilities. To date, the Trust has not met its investment objective and the Shares quoted on OTCQX have not reflected the value of ZEN held by the Trust less the Trust's expenses and other liabilities, but have instead traded at both premiums and discounts to such value, which at times have been substantial. The "Reference Rate Price" is a volume-weighted average price in U.S. dollars for the immediately preceding 24-hour period derived from data collected from Digital Asset Exchanges trading ZEN selected by the Reference Rate Provider as of 4:00 p.m., New York time, and included in the CoinDesk Horizen Reference Rate (the "Reference Rate"), on each business day. See "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price." In the event that the Shares trade at a substantial premium, investors who purchase Shares on OTCQX will pay substantially more for their Shares than investors who purchase Shares in the private placement.

The Trust uses the Reference Rate Price to calculate its "Digital Asset Holdings," which is the aggregate value, expressed in U.S. dollars, of the Trust's assets (other than U.S. dollars, other fiat currency, Incidental Rights or IR Virtual Currency), less the U.S. dollar value of the Trust's expenses and other liabilities calculated in the manner set forth under "Valuation of ZEN and Determination of Digital Asset Holdings." "Digital Asset Holdings per Share" is calculated by dividing Digital Asset Holdings by the number of Shares currently outstanding. Digital Asset Holdings and Digital Asset Holdings per Share are not measures calculated in accordance with GAAP. Digital Asset Holdings is not intended to be a substitute for the Trust's NAV calculated in accordance with GAAP, and Digital Asset Holdings per Share is not intended to be a substitute for the Trust's NAV per Share calculated in accordance with GAAP.

OVERVIEW

See “Glossary of Defined Terms” for the definition of certain capitalized terms used in this Information Statement. All other capitalized terms used, but not defined, herein have the meanings given to them in the Trust Agreement.

The Trust and the Shares

Grayscale Horizen Trust (ZEN) (the “Trust”) is a Delaware Statutory Trust that was formed on July 3, 2018 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’s purpose is to hold ZEN. Horizen, an alternative software implementation of Bitcoin, was created in 2017 by a group that forked Zclassic, which is a fork of Zcash. Although Horizen is similar to Bitcoin, there are several key differences between the Horizen Network and the Bitcoin Network. The fundamental difference between Bitcoin and Horizen is that Horizen offers selective privacy-preserving features. In addition, Bitcoin uses the SHA-256 algorithm, which is preferred for parallel processing, but is also easily used to build application-specific integrated circuits (ASICs) to mine the network more efficiently. Horizen employs the Equihash algorithm, which is similar to Zcash. Horizen has a current block size of 2MB compared to 1MB on the Bitcoin Network. Horizen blocks are also generated every 2.5 minutes. Horizen halvings also occur every 210,000 blocks, like Bitcoin. The Horizen mining difficulty is also roughly one-hundred-billionths of Bitcoin’s, making it easier to mine blocks and earn rewards. Additionally, Horizen and Bitcoin both have a maximum supply of 21 million coins. Horizen has a current circulating supply of 12.2 million coins, which is less than Bitcoin’s current circulating supply of 19 million coins. As of December 31, 2021, the 24-hour trading volume of Horizen and Bitcoin were approximately \$33.7 million and \$23.8 billion, respectively. As of December 31, 2021, the aggregate market value of Horizen was \$729.5 million compared to the \$892.6 billion aggregate value of Bitcoin.

On January 11, 2019, the Trust changed its name from Horizen Investment Trust to Grayscale Horizen Trust (ZEN) by filing a Certificate of Amendment to the Certificate of Trust with the Delaware Secretary of State. The Trust issues Shares, which represent common units of fractional undivided beneficial interest in, and ownership of, the Trust, on a periodic basis to certain “accredited investors” within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). The Trust issues Shares only in one or more whole Baskets. A Basket equals 100 Shares. The creation of a Basket requires the delivery to the Trust of the number of ZEN represented by one Share immediately prior to such creation multiplied by 100. See “Description of Creation of Shares.”

Shares purchased in the private placement 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 in advance by the Sponsor. In determining whether to grant approval, the Sponsor will specifically look at whether the conditions of Rule 144 under the Securities Act, including the requisite holding period thereunder, and any other applicable laws have been met. 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.

Pursuant to Rule 144, once the Trust has been subject to the reporting requirements of Section 13 under the Exchange Act for a period of 90 days, the minimum holding period for Shares purchased in the private placement will be shortened from one year to six months. As a result, Shares purchased in the private placement will be able to have their transfer restriction legends removed sooner. Because the rate at which Shares are qualified for public trading on OTCQX will increase, the number of Shares being sold by investors onto OTCQX may increase as well. Any increase in the number of Shares trading on OTCQX may cause the price of the Shares on OTCQX to decline. In addition, the shortened holding period may increase demand for the Shares in the private placement, which may further increase the number of Shares being sold by investors onto OTCQX after they have been held for the holding period.

The Shares are quoted on OTCQX under the ticker symbol “HZEN.” Shareholders that purchased Shares directly from the Trust and have held them for the requisite holding period in accordance with Rule 144 under the Securities Act may sell their Shares on OTCQX upon receiving approval from the Sponsor. Investors may also choose to purchase the Shares on OTCQX. Shares purchased on OTCQX are not restricted. We intend to seek to list the Shares on NYSE Arca sometime in the future. Any such listing will require NYSE Arca to first receive approval from the SEC. As a result, there can be no guarantee that we will be successful in listing the Shares on NYSE Arca. See “Risk Factors—Risk Factors Related to the Trust and the Shares—There is no guarantee that an active trading market for the Shares will continue to develop.”

At this time, the Sponsor is not operating a redemption program for the Shares and therefore Shares are not redeemable by the Trust. In addition, the Trust may from time to time halt creations for extended periods of time, for a variety of reasons, including in connection with forks, airdrops and other similar occurrences. As a result of these factors in addition to the holding period under Rule 144, Authorized Participants are not able to take advantage of arbitrage opportunities created when the market value of the Shares deviates from the value of the Trust’s Digital Asset Holdings per Share, which may cause the Shares to trade at a substantial premium over, or a substantial discount to, the value of the Trust’s Digital Asset Holdings per Share.

Subject to receipt of regulatory approval from the Securities and Exchange Commission (the “SEC”) and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. Because the Trust does not believe that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing 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 in the future, 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 in accordance with the provisions of the Trust Agreement and the relevant Participant Agreement. Although the Sponsor cannot predict with certainty what effect, if any, the operation of a redemption program would have on the trading price of the Shares, a redemption program would allow Authorized Participants to take advantage of arbitrage opportunities created when the market value of the Shares deviates from the value of the Trust’s ZEN, less the Trust’s expenses and other liabilities, which may have the effect of reducing any premium at which the Shares trade on OTCQX over such value or cause the Shares to trade at a discount to such value from time to time.

For a discussion of risks relating to the deviation in the trading price of the Shares from the Digital Asset Holdings per Share, see “Risk Factors—Risk Factors Related to the Trust and the Shares—Because of the holding period under Rule 144, the lack of an ongoing redemption program and the Trust’s ability to halt creations from time to time, there is no arbitrage mechanism to keep the value of the Shares closely linked to the Reference Rate Price and the Shares have historically traded at a substantial premium over, or a substantial discount to, the Digital Asset Holdings per Share,” “Risk Factors—Risk Factors Related to the Trust and the Shares—The Shares may trade at a price that is at, above or below the Trust’s Digital Asset Holdings per Share as a result of the non-current trading hours between OTCQX and the Digital Asset Exchange Market,” “Risk Factors—Risk Factors Related to the Trust and the Shares—Shareholders may suffer a loss on their investment if the Shares trade above or below the Trust’s Digital Asset 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.”

Investment Objective

The Trust’s investment objective is for the value of the Shares (based on ZEN per Share) to reflect the value of ZEN held by the Trust, determined by reference to the Reference Rate Price, less the Trust’s expenses and other liabilities. To date, the Trust has not met its investment objective and the Shares quoted on OTCQX have not reflected the value of ZEN held by the Trust, less the Trust’s expenses and other liabilities, but have instead traded at both premiums and discounts to such value, which at times have been substantial. In the event that the Shares trade at a substantial premium, investors who purchase Shares on OTCQX will pay substantially more for

their Shares than investors who purchase Shares in the private placement. The value of the Shares may not reflect the value of the Trust's ZEN, less the Trust's expenses and other liabilities, for a variety of reasons, including the holding period under Rule 144 for Shares purchased in the private placement, the lack of an ongoing redemption program, any halting of creations by the Trust, ZEN price volatility, trading volumes on, or closures of, exchanges where digital assets trade due to fraud, failure, security breaches or otherwise, and the non-current trading hours between OTC Markets Group Inc.'s OTCQX® Best Marketplace and the global exchange market for trading ZEN. As a result, the Shares may continue to trade at a substantial premium over, or a substantial discount to, the value of the Trust's ZEN, less the Trust's expenses and other liabilities, and the Trust may be unable to meet its investment objective for the foreseeable future.

For example, from October 19, 2021 to December 31, 2021, the maximum premium of the closing price of the Shares quoted on OTCQX over the value of the Trust's Digital Asset Holdings per Share was 127% and the average premium was 31%. During this period the maximum discount of the closing price of the Shares quoted on OTCQX below the value of the Trust's Digital Asset Holdings per Share was 19% and the average discount was 9%. The closing price of the Shares, as quoted on OTCQX at 4:00 p.m., New York time, on each business day, has been quoted at a discount on 9 days. As of December 31, 2021, the Trust's Shares were quoted on OTCQX at a premium of 39% to the Trust's Digital Asset Holdings per Share. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Secondary Market Trading."

Valuation of ZEN and Digital Asset Holdings

The Trust's Digital Asset Holdings is the aggregate value of the Trust's net assets at any time, expressed in U.S. dollars, and therefore represents the aggregate U.S. dollar value of ZEN held by the Trust (other than U.S. dollars, other fiat currency, Incidental Rights or IR Virtual Currency), less the U.S. dollar value of its expenses and other liabilities. The Trust uses the Reference Rate Price to value its ZEN for operational purposes and calculate its Digital Asset Holdings. The Reference Rate Price is calculated using non-GAAP methodology and is not used in the Trust's financial statements. See "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price."

There may be variances in the prices of ZEN on the various Digital Asset Exchanges, including as a result of differences in fee structures or administrative procedures on different Digital Asset Exchanges. For example, based on data provided by the Reference Rate Provider, on any given day during the twelve months ended December 31, 2021, the maximum differential between the 4:00 p.m., New York time spot price of any single Digital Asset Exchange included in the Reference Rate and the Reference Rate Price was 20.81% and the average of the maximum differentials of the 4:00 p.m., New York time spot price of each Digital Asset Exchange included in the Reference Rate and the Reference Rate Price was 20.72%. During this same period, the average differential between the 4:00 p.m., New York time spot prices of all the Digital Asset Exchanges included in the Reference Rate and the Reference Rate Price was 0.45%. All Digital Asset Exchanges that were included in the Reference Rate throughout the period were considered in this analysis.

The Reference Rate Provider has sole discretion over the determination of Reference Rate Price and may change the methodologies for determining the Reference Rate Price from time to time. If the Reference Rate Price becomes unavailable, or if the Sponsor determines in good faith that the Reference Rate Price does not reflect an accurate ZEN price, then the Sponsor will, on a best efforts basis, contact the Reference Rate Provider to obtain the Reference Rate Price directly from the Reference Rate Provider. If after such contact the Reference Rate Price remains unavailable or the Sponsor continues to believe in good faith that the Reference Rate Price does not reflect an accurate ZEN price, then the Sponsor will employ a cascading set of rules to determine the Reference Rate Price, as described in "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price."

As of December 31, 2021, the Digital Asset Holdings per Share, which is equal to the price at which Shares are issued to the Authorized Participant, was \$5.77, and the closing price of the Shares quoted on OTCQX was \$8.00.

Incidental Rights and IR Virtual Currency

The Trust may from time to time come into possession of rights incident to its ownership of ZEN, which permit the Trust to acquire, or otherwise establish dominion and control over, other virtual currencies. These rights are generally expected to arise in connection with forks in the Horizen Blockchain, airdrops offered to holders of ZEN and other similar events and arise without any action of the Trust or of the Sponsor or Trustee on behalf of the Trust. We refer to these rights as “Incidental Rights” and any such virtual currency acquired through Incidental Rights as “IR Virtual Currency.” 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 Digital Asset Holdings and the NAV. See “Activities of the Trust—Incidental Rights and IR Virtual Currency.”

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 to an agent acting on behalf of the shareholders, the shareholders’ agent will attempt to sell the Incidental Rights or IR Virtual Currency, and if the agent is able to do so, will remit the cash proceeds to shareholders, net of expenses and any applicable withholding taxes. 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 of Incidental Rights or IR Virtual Currency, 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.

On July 29, 2019, the Sponsor delivered to the Custodian a notice (the “Pre-Creation Abandonment Notice”) stating that the Trust is abandoning irrevocably for no direct or indirect consideration, effective immediately prior to each time at which the Trust creates Shares (any such time, a “Creation Time”), all Incidental Rights and IR Virtual Currency to which it would otherwise be entitled as of such time (any such abandonment, a “Pre-Creation Abandonment”); provided that a Pre-Creation Abandonment will not apply to any Incidental Rights and/or IR Virtual Currency if (i) the Trust has taken, or is taking at such time, an Affirmative Action to acquire or abandon such Incidental Rights and/or IR Virtual Currency at any time prior to such Creation Time or (ii) such Incidental Rights and/or IR Virtual Currency has been subject to a previous Pre-Creation Abandonment. An Affirmative Action refers to a written notification from the Sponsor to the Custodian of the Trust’s intention (i) to acquire and/or retain any Incidental Rights and/or IR Virtual Currency or (ii) to abandon, with effect prior to the relevant Creation Time, any Incidental Rights and/or IR Virtual Currency.

Trust Expenses

The Trust’s only ordinary recurring expense is expected to be the Sponsor’s Fee. The Sponsor’s Fee will accrue daily in U.S. dollars at an annual rate of 2.5% of the Digital Asset 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 Digital Asset Holdings Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Sponsor’s Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. This dollar amount for each daily accrual will then be converted into ZEN by reference to the same Reference Rate Price used to determine such accrual. The Sponsor’s Fee is payable in ZEN to the Sponsor 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 and/or IR Virtual Currency to the Sponsor at a value to be determined pursuant to such agreement. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay the Sponsor’s Fee only if such agreement and transfer do not otherwise conflict with the terms of the Trust Agreement. The value of any such Incidental Rights and/or IR Virtual Currency will be

determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to a reference rate provided by the Reference Rate Provider or, in the absence of such reference rate, by reference to the cascading set of rules described in "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price." If the Trust pays the Sponsor's Fee in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ZEN that would otherwise have been used to satisfy such payment will be correspondingly reduced.

To cause the Trust to pay the Sponsor's Fee, the Sponsor will instruct the Custodian to withdraw from the Digital Asset Account the number of ZEN equal to the accrued but unpaid Sponsor's Fee and transfer such ZEN to the Sponsor's account at such times as the Sponsor determines in its absolute discretion. The Sponsor, from time to time, may temporarily waive all or a portion of the Sponsor's Fee in its sole discretion. Presently, the Sponsor does not intend to waive any of the Sponsor's Fee and there are no circumstances under which the Sponsor has determined it will definitely waive the fee.

After the Trust's payment of the Sponsor's Fee to the Sponsor, the Sponsor may elect to convert any ZEN, Incidental Rights and/or IR Virtual Currency received as payment of the Sponsor's Fee into U.S. dollars. The rate at which the Sponsor converts such ZEN, Incidental Rights and/or IR Virtual Currency 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 ZEN 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 is obligated under the Trust Agreement to assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including: the Marketing Fee; the Administrator Fee, if any; the Custodian Fee and fees for 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 (the "Sponsor-paid Expenses"), provided that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

The Trust may incur certain extraordinary, non-recurring expenses that are not Sponsor-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), any indemnification of the Custodian or other agents, service providers or counterparties of the Trust, the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively, "Additional Trust Expenses").

In such circumstances, the Sponsor or its delegate (i) will instruct the Custodian to withdraw from the Digital Asset Account ZEN, 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 ZEN, 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 ZEN, Incidental Rights and/or IR Virtual Currency in kind 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 otherwise conflict with the terms of the Trust Agreement. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to a reference rate provided by

the Reference Rate Provider or, in the absence of such reference rate, by reference to the cascading set of rules described in “Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price.” If the Trust pays the Additional Trust Expenses in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ZEN that would otherwise have been used to satisfy such payment will be correspondingly reduced. The number of ZEN represented by a Share will decline each time the Trust pays the Sponsor’s Fee or any Additional Trust Expenses by transferring or selling ZEN. See “Expenses; Sales of ZEN.”

The quantity of ZEN, Incidental Rights or IR Virtual Currency to be delivered to the Sponsor or other relevant payee in payment of the Sponsor’s Fee or any Additional Trust Expenses, or sold to permit payment of Additional Trust Expenses, will vary from time to time depending on the level of the Trust’s expenses and the value of ZEN, Incidental Rights or IR Virtual Currency held by the Trust. See “Activities of the Trust—Trust Expenses.” Assuming that the Trust is a grantor trust for U.S. federal income tax purposes, each delivery or sale of ZEN, Incidental Rights and IR Virtual Currency by the Trust for the payment of expenses will be a taxable event to shareholders. See “Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders.”

Summary of Risk Factors

Investing in the Shares involves risks. You should carefully consider the risks described in the “Risk Factors” section beginning on page 12 before making a decision to invest in the Shares. If any of these risks actually occur, the Trust’s business, financial condition or results of operations may be materially adversely affected. In such case, the trading price of the Shares would likely decline, and you may lose all or part of your investment. The following is a summary of some of the principal risks the Trust faces:

- The trading prices of many digital assets, including ZEN, have experienced extreme volatility in recent periods and may continue to do so. Extreme volatility in the future, including further declines in the trading prices of ZEN, could have a material adverse effect on the value of the Shares and the Shares could lose all or substantially all of their value.
- Digital assets such as ZEN were only introduced within the past decade, and the medium-to-long term value of the Shares is subject to a number of factors relating to the capabilities and development of blockchain technologies and to the fundamental investment characteristics of digital assets.
- Digital assets represent a new and rapidly evolving industry, and the value of the Shares depends on the acceptance of ZEN.
- A determination that ZEN or any other digital asset is a “security” may adversely affect the value of ZEN and the value of the Shares, and result in potentially extraordinary, nonrecurring expenses to, or termination of, the Trust.
- Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network’s ability to grow and respond to challenges.
- Digital asset networks face significant scaling challenges and efforts to increase the volume and speed of transactions may not be successful.
- Digital assets may have concentrated ownership and large sales or distributions by holders of such digital assets could have an adverse effect on the market price of such digital asset.
- If the digital asset award for mining blocks and transaction fees for recording transactions on the Horizen Network are not sufficiently high to incentivize miners, or if certain jurisdictions continue to limit or otherwise regulate mining activities, miners may cease expanding processing power or demand high transaction fees, which could negatively impact the value of ZEN and the value of the Shares.
- If a malicious actor or botnet obtains control of more than 50% of the processing power on the Horizen Network, or otherwise obtains control over the Horizen Network through its influence over core

developers or otherwise, such actor or botnet could manipulate the Blockchain to adversely affect the value of the Shares or the ability of the Trust to operate.

- A temporary or permanent “fork” could adversely affect the value of the Shares.
- The value of the Shares relates directly to the value of ZEN, the value of which may be highly volatile and subject to fluctuations due to a number of factors.
- Due to the unregulated nature and lack of transparency surrounding the operations of Digital Asset Exchanges, they may experience fraud, security failures or operational problems, which may adversely affect the value of ZEN and, consequently, the value of the Shares.
- The Reference Rate has a limited history and a failure of the Reference Rate Price could adversely affect the value of the Shares.
- The Reference Rate Price used to calculate the value of the Trust’s Horizon may be volatile, and purchasing activity in the Digital Asset Markets associated with Basket creations may affect the Reference Rate Price and Share trading prices, adversely affecting the value of the Shares.
- Competition from the emergence or growth of other digital assets or methods of investing in ZEN could have a negative impact on the price of ZEN and adversely affect the value of the Shares.
- The Trust faces risks related to COVID-19 outbreak, which could negatively impact the value of the Trust’s holdings and significantly disrupt its affairs.
- Because of the holding period under Rule 144, the lack of an ongoing redemption program and the Trust’s ability to halt creations from time to time, there is no arbitrage mechanism to keep the value of the Shares closely linked to the Reference Rate Price and the Shares have historically traded at a substantial premium over, or a substantial discount to, the Digital Asset Holdings per Share.
- The Shares may trade at a price that is at, above or below the Trust’s Digital Asset Holdings per Share as a result of the non-current trading hours between OTCQX and the Digital Asset Exchange Market.
- Shareholders may suffer a loss on their investment if the Shares trade above or below the Trust’s Digital Asset Holdings per Share.
- The restrictions on transfer and redemption may result in losses on an investment in the Shares.
- There is no guarantee that an active trading market for the Shares will continue to develop.
- Security threats to the Digital Asset Account could result in the halting of Trust operations and a loss of Trust assets or damage to the reputation of the Trust, each of which could result in a reduction in the value of the Shares.
- ZEN transactions are irrevocable and stolen or incorrectly transferred ZEN may be irretrievable. As a result, any incorrectly executed ZEN transactions could adversely affect the value of the Shares.
- The Trust may be required, or the Sponsor may deem it appropriate, to terminate and liquidate at a time that is disadvantageous to shareholders.
- Regulatory changes or actions by the U.S. Congress or any U.S. federal or state agencies may affect the value of the Shares or restrict the use of ZEN, mining activity or the operation of the Horizon Network or the Digital Asset Markets in a manner that adversely affects the value of the Shares.
- Changes in SEC policy could adversely impact the value of the Shares.
- Regulatory changes or actions in foreign jurisdictions may affect the value of the Shares or restrict the use of one or more digital assets, mining activity or the operation of their networks or the Digital Asset Exchange Market in a manner that adversely affects the value of the Shares.
- If regulators subject an Authorized Participant, the Trust or the Sponsor to regulation as a money service business or money transmitter, this could result in extraordinary expenses to the Authorized Participant, the Trust or Sponsor and also result in decreased liquidity for the Shares.

- Regulatory changes or interpretations could obligate the Trust or the Sponsor to register and comply with new regulations, resulting in potentially extraordinary, nonrecurring expenses to the Trust.
- The treatment of the Trust for U.S. federal income tax purposes is uncertain.
- The treatment of digital assets for U.S. federal income tax purposes is uncertain.
- 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 Reference Rate Provider, which calculates the Reference Rate Price, is an affiliate of the Sponsor and the Trust.
- Shareholders may be adversely affected by the lack of independent advisers representing investors in the Trust.

Emerging Growth Company Status

The Trust is an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). For as long as the Trust is an emerging growth company, unlike other public companies, it will not be required to, among other things:

- provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002; or
- comply with any new audit rules adopted by the PCAOB after April 5, 2012, unless the SEC determines otherwise.

The Trust will cease to be an “emerging growth company” upon the earliest of (i) it having \$1.07 billion or more in annual revenues, (ii) it becomes a “large accelerated filer,” as defined in Rule 12b-2 of the Exchange Act, (iii) it issuing more than \$1.0 billion of non-convertible debt over a three-year period or (iv) the last day of the fiscal year following the fifth anniversary of its initial public offering.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies; however, the Trust is choosing to “opt out” of such extended transition period, and as a result, the Trust will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that the Trust’s decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Principal Offices

The Sponsor’s principal office is located at 290 Harbor Drive, 4th Floor, Stamford, CT 06902 and its telephone number is (212) 668-1427. The Trustee’s principal office is located at 251 Little Falls Drive, Wilmington, DE 19808. The Custodian’s principal office is located at 200 Park Avenue South, Suite 1208, New York, NY 10003.

RISK FACTORS

An investment in the Shares involves certain risks as described below. These risks should also be read in conjunction with the other information included in this Information 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 Information Statement. All other capitalized terms used, but not defined, herein have the meanings given to them in the Trust Agreement.

Risk Factors Related to Digital Assets

The trading prices of many digital assets, including ZEN, have experienced extreme volatility in recent periods and may continue to do so. Extreme volatility in the future, including further declines in the trading prices of ZEN, could have a material adverse effect on the value of the Shares and the Shares could lose all or substantially all of their value.

The trading prices of many digital assets, including ZEN, have experienced extreme volatility in recent periods and may continue to do so. For instance, there were steep increases in the value of certain digital assets, including ZEN, over the course of 2017, and multiple market observers asserted that digital assets were experiencing a "bubble." These increases were followed by steep drawdowns throughout 2018 in digital asset trading prices, including for ZEN. These drawdowns notwithstanding, digital asset prices, including ZEN, increased significantly again during 2019. ZEN then decreased significantly again in the fourth quarter of 2019, rose in the early part of 2020, only to drop again later in the first quarter of 2020 amidst broader market declines as a result of the novel coronavirus outbreak. ZEN, much like other digital assets, then increased significantly again over the remainder of 2020 and the first quarter of 2021. Digital asset prices continued to experience significant and sudden changes throughout 2021 followed by steep drawdowns in the fourth quarter of 2021 and to date in 2022. Extreme volatility may persist and the value of the Shares may significantly decline in the future without recovery. The Digital Asset Markets may still be experiencing a bubble or may experience a bubble again in the future. Extreme volatility in the future, including further declines in the trading prices of ZEN, could have a material adverse effect on the value of the Shares and the Shares could lose all or substantially all of their value. The Trust is not actively managed and will not take any actions to take advantage, or mitigate the impacts, of volatility in the price of ZEN. For additional information that quantifies the volatility of ZEN prices, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Historical Digital Asset Holdings and ZEN Prices."

Digital assets such as ZEN were only introduced within the past decade, and the medium-to-long term value of the Shares is subject to a number of factors relating to the capabilities and development of blockchain technologies and to the fundamental investment characteristics of digital assets.

Digital assets such as ZEN were only introduced within the past decade, and the medium-to-long term value of the Shares is subject to a number of factors relating to the capabilities and development of blockchain technologies, such as the recentness of their development, their dependence on the internet and other technologies, their dependence on the role played by users, developers and miners and the potential for malicious activity. For example, the realization of one or more of the following risks could materially adversely affect the value of the Shares:

- Digital asset networks and the software used to operate them are in the early stages of development. Given the recentness of the development of digital asset networks, digital assets may not function as intended and parties may be unwilling to use digital assets, which would dampen the growth, if any, of digital asset networks.
- The loss or destruction of a private key required to access a digital asset may be irreversible. If a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible,

the owner would be unable to access the digital asset corresponding to that private key and the private key will not be capable of being restored by the digital asset network.

- Digital asset networks are dependent upon the internet. A disruption of the internet or a digital asset network, such as the Horizen Network, would affect the ability to transfer digital assets, including ZEN, and, consequently, their value.
- The acceptance of software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in a digital asset network, such as the Horizen Network, could result in a “fork” in such network’s blockchain, resulting in the operation of multiple separate networks.
- Governance of the Horizen Network is by voluntary consensus and open competition. As a result, there may be a lack of consensus or clarity on the governance of the Horizen Network, which may stymie the Horizen Network’s utility and ability to grow and face challenges. In particular, it may be difficult to find solutions or marshal sufficient effort to overcome any future problems on the Horizen Network, especially long-term problems.
- The foregoing notwithstanding, the Horizen Network’s protocol is informally managed by a group of core developers that propose amendments to the Horizen Network’s source code. The core developers evolve over time, largely based on self-determined participation. To the extent that a significant majority of users and miners adopt amendments to the Horizen Network, the Horizen Network will be subject to new protocols that may adversely affect the value of ZEN.
- Over the past several years, digital asset mining operations have evolved from individual users mining with computer processors, graphics processing units and first generation application specific integrated circuit machines to “professionalized” mining operations using proprietary hardware or sophisticated machines. If the profit margins of digital asset mining operations are not sufficiently high, including due to an increase in electricity costs, digital asset miners are more likely to immediately sell tokens earned by mining, resulting in an increase in liquid supply of that digital asset, which would generally tend to reduce that digital asset’s market price.
- To the extent that any miners cease to record transactions that do not include the payment of a transaction fee in solved blocks or do not record a transaction because the transaction fee is too low, such transactions will not be recorded on the Blockchain until a block is mined by a miner who does not require the payment of transaction fees or is willing to accept a lower fee. Any widespread delays in the recording of transactions could result in a loss of confidence in a digital asset network.
- Digital asset mining operations can consume significant amounts of electricity, which may have a negative environmental impact and give rise to public opinion against allowing, or government regulations restricting, the use of electricity for mining operations. Additionally, miners may be forced to cease operations during an electricity shortage or power outage.
- Many digital asset networks face significant scaling challenges and are being upgraded with various features to increase the speed and throughput of digital asset transactions. These attempts to increase the volume of transactions may not be effective.
- The open-source structure of many digital asset network protocols, such as the protocol for the Horizen Network, means that developers and other contributors are generally not directly compensated for their contributions in maintaining and developing such protocols. As a result, the developers and other contributors of a particular digital asset may lack a financial incentive to maintain or develop the network, or may lack the resources to adequately address emerging issues. Alternatively, some developers may be funded by companies whose interests are at odds with other participants in a particular digital asset network. A failure to properly monitor and upgrade the protocol of the Horizen Network could damage that network.
- Moreover, in the past, flaws in the source code for digital assets have been exposed and exploited, including flaws that disabled some functionality for users, exposed users’ personal information and/or

resulted in the theft of users' digital assets. The cryptography underlying ZEN 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 ZEN, which would adversely affect the value of the Shares. Moreover, functionality of the Horizen Network may be negatively affected such that it is no longer attractive to users, thereby dampening demand for ZEN. Even if another digital asset other than ZEN were affected by similar circumstances, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively affect the demand for digital assets and therefore adversely affect the value of the Shares.

Moreover, because digital assets, including ZEN, have been in existence for a short period of time and are continuing to develop, there may be additional risks in the future that are impossible to predict as of the date of this Information Statement.

Digital assets represent a new and rapidly evolving industry, and the value of the Shares depends on the acceptance of ZEN.

The first digital asset, Bitcoin, was launched in 2009. ZEN launched in 2017. In general, digital asset networks, including the Horizen Network and other cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. For example, the realization of one or more of the following risks could materially adversely affect the value of the Shares:

- ZEN is only selectively accepted by retail and commercial outlets, and use of ZEN by consumers remains limited. Banks and other established financial institutions may refuse to process funds for ZEN transactions; process wire transfers to or from Digital Asset Exchanges, ZEN-related companies or service providers; or maintain accounts for persons or entities transacting in ZEN. As a result, the prices of ZEN are largely determined by speculators and miners, thus contributing to price volatility that makes retailers less likely to accept ZEN in the future.
- Banks may not provide banking services, or may cut off banking services, to businesses that provide digital asset-related services or that accept digital assets as payment, which could dampen liquidity in the market and damage the public perception of digital assets generally or any one digital asset in particular, such as ZEN, and their or its utility as a payment system, which could decrease the price of digital assets generally or individually.
- Certain privacy-preserving features have been or are expected to be introduced to digital asset networks, such as the Horizen Network, and exchanges or businesses that facilitate transactions in ZEN may be at an increased risk of having banking services cut off if there is a concern that these features interfere with the performance of anti-money laundering duties and economic sanctions checks.
- Users, developers and miners may otherwise switch to or adopt certain digital assets at the expense of their engagement with other digital asset networks, which may negatively impact those networks, including the Horizen Network.

Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network's ability to grow and respond to challenges.

The governance of decentralized networks, such as the Horizen Network, is by voluntary consensus and open competition. As a result, there may be a lack of consensus or clarity on the governance of any particular decentralized digital asset network, which may stymie such network's utility and ability to grow and face challenges. The foregoing notwithstanding, the protocols for some decentralized networks, such as the Horizen Network is informally managed by a group of core developers that propose amendments to the relevant network's source code. Core developers' roles evolve over time, largely based on self-determined participation.

If a significant majority of users and miners adopt amendments to a decentralized network based on the proposals of such core developers, such network will be subject to new protocols that may adversely affect the value of the relevant digital asset.

As a result of the foregoing, it may be difficult to find solutions or marshal sufficient effort to overcome any future problems, especially long-term problems, on digital asset networks.

Digital asset networks face significant scaling challenges and efforts to increase the volume and speed of transactions may not be successful.

Many digital asset networks face significant scaling challenges due to the fact that public blockchains generally face a tradeoff between 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. As a result, a digital asset network may be limited in the number of transactions it can process by the capabilities of each single fully participating node. Many developers are actively researching and testing scalability solutions for public blockchains that do not necessarily result in lower levels of security or decentralization, such as off-chain payment channels and sharding. Off-chain payment channels would allow parties to transact without requiring the full processing power of a blockchain. Sharding can increase the scalability of a database, such as a blockchain, by splitting the data processing responsibility among many nodes, allowing for parallel processing and validating of transactions.

In an effort to increase the volume of transactions that can be processed on a given digital asset network, many digital assets are being upgraded with various features to increase the speed and throughput of digital asset transactions. For example, in August 2017, the Bitcoin network was upgraded with a technical feature known as “Segregated Witness” that potentially doubles the transactions per second that can be handled on-chain. More importantly, Segregated Witness also enables so-called second layer solutions, such as the Lightning Network, or payment channels that greatly increase transaction throughput (i.e., millions of transactions per second). Wallets and “intermediaries,” or connecting nodes that facilitate payment channels, that support Segregated Witness or Lightning Network-like technologies have not seen wide-scale use as of December 31, 2021. Additionally, questions remain regarding Lightning Network services, such as its cost and who will serve as intermediaries.

As corresponding increases in throughput lag behind growth in the use of digital asset networks, average fees and settlement times may increase considerably. For example, the Bitcoin network has been, at times, at capacity, which has led to increased transaction fees. Since January 1, 2019, Bitcoin transaction fees have increased from \$0.18 per Bitcoin transaction, on average, to a high of \$60.95 per transaction, on average, on April 20, 2021. As of December 31, 2021, Bitcoin transaction fees stood at \$3.10 per Bitcoin transaction, on average. As of December 31, 2021, Horizen Network transaction fees stood at \$0.0006 per Horizen transaction, on average. To the extent the Horizen Network experiences similar increased fees and decreased settlement speeds, it could preclude certain uses for ZEN (e.g., micropayments), and could reduce demand for, and the price of, ZEN, which could adversely impact the value of the Shares.

There is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of Horizen Network transactions will be effective, or how long these mechanisms will take to become effective, which could adversely impact the value of the Shares.

Digital assets may have concentrated ownership and large sales or distributions by holders of such digital assets could have an adverse effect on the market price of such digital asset.

It is possible that other persons or entities control multiple wallets that collectively hold a significant number of ZEN, even if they individually only hold a small amount, and it is possible that some of these wallets

are controlled by the same person or entity. Because of the privacy-preserving features of the Horizen Network, it is not possible to determine whether such concentration of ownership of ZEN exists. If there is any such concentration of ownership, large sales or distributions by such holders could have an adverse effect on the market price of ZEN.

If the digital asset award for mining blocks and transaction fees for recording transactions on the Horizen Network are not sufficiently high to incentivize miners, or if certain jurisdictions continue to limit or otherwise regulate mining activities, miners may cease expanding processing power or demand high transaction fees, which could negatively impact the value of ZEN and the value of the Shares.

If the digital asset awards for mining blocks or the transaction fees for recording transactions on the Horizen Network are not sufficiently high to incentivize miners, or if certain jurisdictions continue to limit or otherwise regulate mining activities, miners may cease expending processing power to mine blocks and confirmations of transactions on the Horizen Blockchain could be slowed. For example, the realization of one or more of the following risks could materially adversely affect the value of the Shares:

- Over the past several years, digital asset mining operations have evolved from individual users mining with computer processors, graphics processing units and first generation application specific integrated circuit machines to “professionalized” mining operations using proprietary hardware or sophisticated machines. If the profit margins of digital asset mining operations are not sufficiently high, including due to an increase in electricity costs, digital asset miners are more likely to immediately sell tokens earned by mining, resulting in an increase in liquid supply of that digital asset, which would generally tend to reduce that digital asset’s market price.
- A reduction in the processing power expended by miners on the Horizen Network could increase the likelihood of a malicious actor or botnet obtaining control. See “If a malicious actor or botnet obtains control of more than 50% of the processing power on the Horizen Network, or otherwise obtains control over the Horizen Network through its influence over core developers or otherwise, such actor or botnet could manipulate the Blockchain to adversely affect the value of the Shares or the ability of the Trust to operate.”
- Miners have historically accepted relatively low transaction confirmation fees on most digital asset networks. If miners demand higher transaction fees for recording transactions in the Horizen Blockchain or a software upgrade automatically charges fees for all transactions on the Horizen Network, the cost of using ZEN may increase and the marketplace may be reluctant to accept ZEN as a means of payment. Alternatively, miners could collude in an anti-competitive manner to reject low transaction fees on the Horizen Network and force users to pay higher fees, thus reducing the attractiveness of the Horizen Network. Higher transaction confirmation fees resulting through collusion or otherwise may adversely affect the attractiveness of the Horizen Network, the value of ZEN and the value of the Shares.
- To the extent that any miners cease to record transactions that do not include the payment of a transaction fee in mined blocks or do not record a transaction because the transaction fee is too low, such transactions will not be recorded on the Horizen Blockchain until a block is mined by a miner who does not require the payment of transaction fees or is willing to accept a lower fee. Any widespread delays in the recording of transactions could result in a loss of confidence in the digital asset network.
- Digital asset mining operations can consume significant amounts of electricity, which may have a negative environmental impact and give rise to public opinion against allowing, or government regulations restricting, the use of electricity for mining operations. Additionally, miners may be forced to cease operations during an electricity shortage or power outage.

In addition, in response to a double-spend attack in June 2018, the team behind ZEN has implemented mitigation procedures to make it more computationally and economically expensive to privately mine blocks and

later introduce those blocks to the public Horizen Network as the valid Horizen Blockchain. If miners do not believe the transaction confirmation fees on the Horizen Network are adequate to compensate them for such increased computational difficulty and economic expense, they may demand higher transaction fees or cease recording transactions on the Horizen Network, which could result in a loss of confidence in the digital asset network and/or make it less attractive to users, any of which could have a material adverse effect on the value of ZEN and the value of the Shares of the Trust.

If a malicious actor or botnet obtains control of more than 50% of the processing power on the Horizen Network, or otherwise obtains control over the Horizen Network through its influence over core developers or otherwise, such actor or botnet could manipulate the Blockchain to adversely affect the value of 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 Horizen Network, it may be able to alter the Blockchain on which transactions in ZEN 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 tokens or transactions using such control, it could “double-spend” its own tokens (i.e., spend the same tokens 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 Horizen Network or the ZEN 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 Horizen Network.

For example, in August 2020, the Ethereum Classic Network was the target of two double-spend attacks by an unknown actor or actors that gained more than 50% of the processing power of the Ethereum Classic Network. The attack resulted in reorganizations of the Ethereum Classic Blockchain that allowed the attacker or attackers to reverse previously recorded transactions in excess of over \$5.0 million and \$1.0 million. Any similar attacks on the Horizen Network could negatively impact the value of ZEN and the value of the Shares.

For example, on June 2, 2018, the Horizen Network was the target of a double-spend attack by an unknown actor that gained more than 50% of the processing power of the Horizen Network. The attack was the result of delayed submission of blocks to the Horizen Network. The team behind ZEN has implemented mitigation procedures to significantly increase the difficulty of attacks of this nature by introducing a penalty for delayed block submissions. The result is that it will become more computationally and economically expensive to privately mine blocks and later introduce those blocks to the public Horizen Network as the valid Horizen Blockchain. The failure of these or other mitigating steps, or any future attacks on the Horizen Network, could negatively impact the value of ZEN and the value of the Shares of the Trust.

A malicious actor may also obtain control over the Horizen Network through its influence over core developers by gaining direct control over a core developer or an otherwise influential programmer. To the extent that the ZEN ecosystem does not grow, the possibility that a malicious actor may be able to obtain control of the processing power on the Horizen Network in this manner will remain heightened.

A temporary or permanent “fork” could adversely affect the value of the Shares.

The Horizen Network operates using open-source protocols, meaning that any user can download the software, modify it and then propose that the users and miners of ZEN adopt the modification. When a modification is introduced and a substantial majority of users and miners’ consent to the modification, the change is implemented and the network remains uninterrupted. However, 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 Horizen Network, with one group 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 ZEN running in parallel, yet lacking interchangeability. For example, in August 2017, Bitcoin “forked” into Bitcoin and a new digital asset, Bitcoin Cash, as a result of a several-year dispute over how to increase the rate of transactions that the Bitcoin network can process. 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. 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.

Forks may also occur as a network community’s response to a significant security breach. For example, in July 2016, Ethereum “forked” into Ethereum and a new digital asset, Ethereum Classic, as a result of the Ethereum network community’s response to a significant security breach in which an anonymous hacker exploited a smart contract running on the Ethereum network to syphon approximately \$60 million of ETC held by The DAO, a distributed autonomous organization, into a segregated account. In response to the hack, most participants in the Ethereum community elected to adopt a “fork” that effectively reversed the hack. However, a minority of users continued to develop the original blockchain, referred to as “Ethereum Classic” with the digital asset on that blockchain now referred to as ETC. ETC now trades 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. 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 Ethereum and Ethereum Classic.

In addition, many developers have previously initiated hard forks in the Bitcoin blockchain to launch new digital assets, such as Bitcoin Cash, Bitcoin Gold, Bitcoin Silver and Bitcoin Diamond, as well as the Bitcoin Cash blockchain to launch a new digital asset, Bitcoin Satoshi’s Vision. To the extent such digital assets compete with ZEN, such competition could impact demand for ZEN and could adversely impact the value of the Shares. Furthermore, a hard fork can lead to new security concerns. For example, when the Ethereum and Ethereum Classic networks, two other digital asset networks, split in July 2016, replay attacks, in which transactions from one network were rebroadcast to nefarious effect on the other network, plagued Ethereum exchanges through at least October 2016. An Ethereum exchange announced in July 2016 that it had lost 40,000 Ethereum Classic, worth about \$100,000 at that time, as a result of replay attacks. Similar replay attack concerns occurred in connection with the Bitcoin Cash and Bitcoin Satoshi’s Vision networks split in November 2018. Another possible result of a hard fork is an inherent decrease in the level of security due to significant amounts of mining power remaining on one network or migrating instead to the new forked network. After a hard fork, it may become easier for an individual miner or mining pool’s hashing power to exceed 50% of the processing power of a digital asset network that retained or attracted less mining power, thereby making digital assets that rely on proof-of-work more susceptible to attack.

A hard fork may adversely affect the price of ZEN at the time of announcement or adoption. For example, the announcement of a hard fork could lead to increased demand for the pre-fork digital asset, in anticipation that ownership of the pre-fork digital asset would entitle holders to a new digital asset following the fork. The increased demand for the pre-fork digital asset may cause the price of the digital asset to rise. After the hard fork, it is possible the aggregate price of the two versions of the digital asset running in parallel would be less than the price of the digital asset immediately prior to the fork. Furthermore, while the Trust would be entitled to both versions of the digital asset running in parallel, the Sponsor will, as permitted by the terms of the Trust Agreement, determine which version of the digital asset is generally accepted as the Horizen Network and should therefore be considered the appropriate network for the Trust’s purposes, and there is no guarantee that the Sponsor will choose the digital asset that is ultimately the most valuable fork. Either of these events could therefore adversely impact the value of the Shares. For example, following the DAO hack in July 2016, holders

of Ethereum voted on-chain to reverse the hack, effectively causing a hard fork. For the days following the vote, the price of Ethereum rose from \$11.65 on July 15, 2016 to \$14.66 on July 21, 2016, the day after the first Ethereum Classic block was mined.

A future fork in the Horizen Network could adversely affect the value of 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 asset may become subject to a similar occurrence known as an “airdrop.” In an airdrop, the promoters of a new digital asset announce to holders of another digital asset that such holders will be entitled to claim a certain amount of the new digital asset for free, based on the fact that they hold such other digital asset.

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, airdrop or similar event 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 Shares in the Trust, from any such Incidental Rights or IR Virtual Currency. For instance, the Custodian 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 ZEN, 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 may also determine, in consultation with its legal advisers, that the Incidental Right or IR Virtual Currency is, or is likely to be deemed, a security under federal or state securities laws. In such a case, the Sponsor would irrevocably abandon, as of any date on which the Trust creates Shares, such Incidental Right or IR Virtual Currency if holding it would have an adverse effect on the Trust and it would not be practicable to avoid such effect by disposing of the Incidental Right or IR Virtual Currency in a manner that would result in shareholders receiving more than insignificant value thereof. In making such a determination, the Sponsor expects to take into account a number of factors, including the various definitions of a “security” under the federal securities law and federal court decisions interpreting elements of these definitions, such as the U.S. Supreme Court’s decisions in the *Howey* and *Reves* cases, as well as reports, orders, press releases, public statements and speeches by the SEC and its staff providing guidance on when a digital asset may be a security for purposes of the federal securities laws.

The Trust has informed the Custodian that it is irrevocably abandoning, 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 Affirmative Action at or prior to such date. In order to avert abandonment of an Incidental Right or IR Virtual Currency, the Trust will send a notice to the Custodian of its intention to retain such Incidental Right or IR Virtual Currency. The Sponsor intends to evaluate each future fork or airdrop on a case-by-case basis in consultation with the Trust’s legal advisers, tax consultants and Custodian. Any inability to recognize the economic benefit of a hard fork or airdrop could adversely affect the value of the Shares. See “Activities of the Trust—Incidental Rights and IR Virtual Currency.”

In the event of a hard fork of the Horizen Network, the Sponsor will, if permitted by the terms of the Trust Agreement, use its discretion to determine which network should be considered the appropriate network 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 Horizen Network, the Sponsor will, as 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 Horizen Network, is generally accepted as the Horizen Network and should therefore be considered the appropriate network 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 ZEN, users, services, businesses, miners and other constituencies, as well as the actual continued acceptance of, mining power on, and community engagement with, the Horizen Network. There is no guarantee that the Sponsor will choose the digital asset that is ultimately the most valuable fork, and the Sponsor's decision may adversely affect the value of the Shares as a result. The Sponsor may also disagree with shareholders, security vendors and the Reference Rate Provider on what is generally accepted as ZEN and should therefore be considered "ZEN" for the Trust's purposes, which may also adversely affect the value of the Shares as a result.

Any name change and any associated rebranding initiative by the core developers of ZEN may not be favorably received by the digital asset community, which could negatively impact the value of ZEN and the value of the Shares.

From time to time, digital assets may undergo name changes and associated rebranding initiatives. For example, Bitcoin Cash may sometimes be referred to as Bitcoin ABC in an effort to differentiate itself from any Bitcoin Cash hard forks, such as Bitcoin Satoshi's Vision, and in the third quarter of 2018, the team behind Zen rebranded and changed the name of ZenCash to "Horizen." We cannot predict the impact of any name change and any associated rebranding initiative on ZEN. After a name change and an associated rebranding initiative, a digital asset may not be able to achieve or maintain brand name recognition or status that is comparable to the recognition and status previously enjoyed by such digital asset. The failure of any name change and any associated rebranding initiative by a digital asset may result in such digital asset not realizing some or all of the anticipated benefits contemplated by the name change and associated rebranding initiative, and could negatively impact the value of ZEN and the value of the Shares.

The cryptography used to enhance the privacy of transactions on the Horizen Network is new and could ultimately fail, or businesses that facilitate transactions in ZEN may be at increased risk of having services cut off, which could negatively affect the price of ZEN and the value of the Shares.

The Horizen Network uses a type of cryptography known as zero-knowledge succinct non-interactive arguments of knowledge ("zk-SNARKs") proofs, which adds additional layers of confidentiality to transactions on the Horizen Network by protecting the amount and the recipient in ZEN transactions. This cryptography is new and could ultimately fail, resulting in less privacy than believed or no privacy at all, and could adversely affect one's ability to complete transactions on any such digital asset network or otherwise adversely interfere with the integrity of the relevant blockchain. For example, on February 5, 2019, the team behind Zcash, another zk-SNARKs-based protocol, announced that it discovered a vulnerability in zk-SNARKs that also existed on the Horizen Network and was subsequently patched on the Horizen Network in connection with a protocol upgrade in November 2018. The vulnerability was a counterfeiting vulnerability that could have allowed an attacker to create fake ZEN on the Horizen Network without being detected. Although the privacy features prevent one from being certain no ZEN were counterfeited, the team behind Horizen found no evidence that counterfeiting occurred prior to the patch and believes the vulnerability has been fully remediated.

Moreover, law enforcement agencies and other market participants have often relied on the transparency of blockchains to facilitate investigations and comply with laws, such as anti-money laundering and economic sanctions laws. Because of the privacy-enhancing features of the Horizen Network, law enforcement agencies and other market participants may have less visibility into transaction-level data. As a result, businesses that

facilitate transactions in ZEN may be at increased risk of having banking services cut off if there is a concern that these features interfere with the performance of anti-money laundering duties and economic sanctions checks. Other service providers of such businesses may also cut off services if there is a concern that the Horizen Network is being used to facilitate crime. Any such occurrences could adversely affect the price of ZEN, the attractiveness of the Horizen Network and an investment in the Shares of the Trust.

Risk Factors Related to the Digital Asset Markets

The value of the Shares relates directly to the value of ZEN, the value of which may be highly volatile and subject to fluctuations due to a number of factors.

The value of the Shares relates directly to the value of the ZEN held by the Trust and fluctuations in the price of ZEN could adversely affect the value of the Shares. The market price of ZEN may be highly volatile, and subject to a number of factors, including:

- An increase in the global ZEN supply;
- Manipulative trading activity on Digital Asset Exchanges, which, in many cases, are largely unregulated;
- The adoption of ZEN as a medium of exchange, store-of-value or other consumptive asset and the maintenance and development of the open-source software protocol of the Horizen Network;
- Forks in the Horizen Network;
- Investors' expectations with respect to interest rates, the rates of inflation of fiat currencies or ZEN, and digital asset exchange rates;
- Consumer preferences and perceptions of ZEN specifically and digital assets generally;
- Fiat currency withdrawal and deposit policies on Digital Asset Exchanges;
- The liquidity of Digital Asset Markets and any increase or decrease in trading volume on Digital Asset Markets;
- Investment and trading activities of large investors that invest directly or indirectly in ZEN;
- A "short squeeze" resulting from speculation on the price of ZEN, if aggregate short exposure exceeds the number of Shares available for purchase;
- An active derivatives market for ZEN or for digital assets generally;
- Monetary policies of governments, trade restrictions, currency devaluations and revaluations and regulatory measures or enforcement actions, if any, that restrict the use of ZEN as a form of payment or the purchase of ZEN on the Digital Asset Markets;
- Global or regional political, economic or financial conditions, events and situations, such as the novel coronavirus outbreak;
- Fees associated with processing a ZEN transaction and the speed at which ZEN transactions are settled;
- Interruptions in service from or closures or failures of major Digital Asset Exchanges;
- Decreased confidence in Digital Asset Exchanges due to the unregulated nature and lack of transparency surrounding the operations of Digital Asset Exchanges;
- Increased competition from other forms of digital assets or payment services; and
- The Trust's own acquisitions or dispositions of ZEN, since there is no limit on the number of ZEN that the Trust may acquire.

In addition, there is no assurance that ZEN will maintain its value in the long or intermediate term. In the event that the price of ZEN declines, the Sponsor expects the value of the Shares to decline proportionately.

The value of a ZEN as represented by the Reference Rate Price or by the Trust's principal market may also be subject to momentum pricing due to speculation regarding future appreciation in value, leading to greater volatility that could adversely affect the value of the Shares. Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for future appreciation in value, if any. The Sponsor believes that momentum pricing of ZEN has resulted, and may continue to result, in speculation regarding future appreciation in the value of ZEN, inflating and making the Reference Rate Price more volatile. As a result, ZEN may be more likely to fluctuate in value due to changing investor confidence, which could impact future appreciation or depreciation in the Reference Rate Price and could adversely affect the value of the Shares.

Due to the unregulated nature and lack of transparency surrounding the operations of Digital Asset Exchanges, they may experience fraud, security failures or operational problems, which may adversely affect the value of ZEN and, consequently, the value of the Shares.

Digital Asset Exchanges are relatively new and, in some cases, unregulated. Furthermore, while many prominent Digital Asset Exchanges provide the public with significant information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many Digital Asset Exchanges do not provide this information. Digital Asset Exchanges do not appear to be subject to regulation in a similar manner as other regulated trading platforms, such as national securities exchanges or designated contract markets. As a result, the marketplace may lose confidence in Digital Asset Exchanges, including prominent exchanges that handle a significant volume of ZEN trading.

Many Digital Asset Exchanges are unlicensed, unregulated, operate without extensive supervision by governmental authorities, and do not provide the public with significant information regarding their ownership structure, management team, corporate practices, cybersecurity, and regulatory compliance. In particular, those located outside the United States may be subject to significantly less stringent regulatory and compliance requirements in their local jurisdictions. As a result, trading activity on or reported by these Digital Asset Exchanges is generally significantly less regulated than trading in regulated U.S. securities and commodities markets, and may reflect behavior that would be prohibited in regulated U.S. trading venues. For example, in 2019 there were reports claiming that 80-95% of Bitcoin trading volume on Digital Asset Exchanges was false or non-economic in nature, with specific focus on unregulated exchanges located outside of the United States. Such reports may indicate that the Digital Asset Exchange Market is significantly smaller than expected and that the U.S. makes up a significantly larger percentage of the Digital Asset Exchange Market than is commonly understood. Nonetheless, any actual or perceived false trading in the Digital Asset Exchange Market, and any other fraudulent or manipulative acts and practices, could adversely affect the value of ZEN and/or negatively affect the market perception of ZEN.

In addition, over the past several years, some Digital Asset Exchanges have been closed due to fraud and manipulative activity, 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, demonstrated that even the largest Digital Asset Exchanges could be subject to abrupt failure with consequences for both users of Digital Asset Exchanges 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 Digital Asset Exchange. The value of Bitcoin and other digital assets 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 Asset Exchange, for facilitating crimes such as drug sales and ransomware attacks. In addition, in December 2017, Yopian, the operator of Seoul-based cryptocurrency exchange Yobit, 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, Yobit 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. Most recently in May 2019, one of the world’s largest Digital Asset Exchanges, Binance, was hacked, resulting in losses of approximately \$40 million.

Negative perception, a lack of stability in the Digital Asset Markets and the closure or temporary shutdown of Digital Asset Exchanges due to fraud, failure or security breaches may reduce confidence in the Horizen Network and result in greater volatility in the prices of ZEN. Furthermore, the closure or temporary shutdown of a Digital Asset Exchange used in calculating the Reference Rate Price may result in a loss of confidence in the Trust’s ability to determine its Digital Asset Holdings on a daily basis. These potential consequences of such a Digital Asset Exchange’s failure could adversely affect the value of the Shares.

The Reference Rate has a limited history and a failure of the Reference Rate Price could adversely affect the value of the Shares.

The Reference Rate has a limited history and the Reference Rate Price is an average composite reference rate calculated using volume-weighted trading price data from various Digital Asset Exchanges chosen by the Reference Rate Provider. The Digital Asset Exchanges chosen by the Reference Rate Provider have also changed over time. On April 1, 2022, the Reference Rate Provider added Coinbase Pro to the Reference Rate as part of its scheduled quarterly review. The Reference Rate Provider may remove or add Digital Asset Exchanges to the Reference Rate in the future at its discretion. For more information on the inclusion criteria for Digital Asset Exchanges in the Reference Rate, see “Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price.”

Although the Reference Rate is designed to accurately capture the market price of ZEN, third parties may be able to purchase and sell ZEN on public or private markets not included among the constituent Digital Asset Exchanges of the Reference Rate, and such transactions may take place at prices materially higher or lower than the Reference Rate Price. Moreover, there may be variances in the prices of ZEN on the various Digital Asset Exchanges, including as a result of differences in fee structures or administrative procedures on different Digital Asset Exchanges. For example, based on data provided by the Reference Rate Provider, on any given day during year ended December 31, 2021, the maximum differential between the 4:00 p.m., New York time spot price of any single Digital Asset Exchange included in the Reference Rate and the Reference Rate Price was 20.81% and the average of the maximum differentials of the 4:00 p.m., New York time spot price of each Digital Asset Exchange included in the Reference Rate and the Reference Rate Price was 20.72%. During this same period, the average differential between the 4:00 p.m., New York time spot prices of all the Digital Asset Exchanges included in the Reference Rate and the Reference Rate Price was 0.45%. All Digital Asset Exchanges that were included in the Reference Rate throughout the period were considered in this analysis. To the extent such prices differ materially from the Reference Rate Price, investors may lose confidence in the Shares’ ability to track the market price of ZEN, which could adversely affect the value of the Shares.

The Reference Rate Price used to calculate the value of the Trust’s ZEN may be volatile, and purchasing activity in the Digital Asset Markets associated with Basket creations may affect the Reference Rate Price and Share trading prices, adversely affecting the value of the Shares.

The price of ZEN on public Digital Asset Exchanges has a very limited history, and during this history, ZEN prices on the Digital Asset Markets more generally, and on Digital Asset Exchanges individually, have been volatile and subject to influence by many factors, including operational interruptions. While the Reference Rate

is designed to limit exposure to the interruption of individual Digital Asset Exchanges, the Reference Rate Price, and the price of ZEN generally, remains subject to volatility experienced by Digital Asset Exchanges, and such volatility could adversely affect the value of the Shares. For example, since the beginning of the Trust's operations, the Reference Rate Price ranged from \$3.28 to \$152.74, with the straight average being \$27.31 through December 31, 2021. In addition, in the twelve months ended December 31, 2021, the Reference Rate Price ranged from \$11.73 to \$152.74. The Sponsor has not observed a material difference between the Reference Rate Price and average prices from the constituent Digital Asset Exchanges individually or as a group. The price of ZEN more generally has experienced volatility similar to the Reference Rate Price during these periods. For additional information on movement of the Reference Rate Price and the price of Horizen, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Historical Digital Asset Holdings and ZEN Prices."

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

Purchasing activity associated with acquiring ZEN required for the creation of Baskets may increase the market price of ZEN on the Digital Asset Markets, which will result in higher prices for the Shares. Increases in the market price of ZEN 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 ZEN that may result from increased purchasing activity of ZEN connected with the issuance of Baskets. Consequently, the market price of ZEN may decline immediately after Baskets are created. Decreases in the market price of ZEN may also occur as a result of sales in Secondary Markets by other market participants. If the Reference Rate Price declines, the trading price of the Shares will generally also decline.

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

As of December 31, 2021, ZEN was the 116th largest digital asset by market capitalization. As of December 31, 2021, there were over 16,000 alternative digital assets tracked by CoinMarketCap.com, having a total market capitalization of approximately \$2,066.4 billion (including the approximately \$720.7 million market cap of ZEN), as calculated using market prices and total available supply of each digital asset, excluding tokens pegged to other assets. In addition, many consortiums and financial institutions are also researching and investing resources into private or permissioned blockchain platforms rather than open platforms like the Horizen Network. ZEN faces competition from a wide range of digital assets. For example, Monero, Dash and Zcash are all focused on enhancing privacy. In addition, ZEN is currently supported by fewer regulated exchanges than more established digital assets, such as Bitcoin and Ether, which could impact its liquidity. Competition from the emergence or growth of alternative digital assets could have a negative impact on the demand for, and price of, ZEN and thereby adversely affect the value of the Shares.

Investors may invest in ZEN through means other than the Shares, including through direct investments in ZEN and other potential financial vehicles, possibly including securities backed by or linked to ZEN and digital asset 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 ZEN directly, which could limit the market for, and reduce the liquidity of, the Shares. In addition, to the extent digital asset financial vehicles other than the Trust tracking the price of ZEN are formed and represent a significant proportion of the demand for ZEN, large purchases or redemptions of the securities of these digital asset financial vehicles, or private funds holding ZEN, could negatively affect the Reference Rate Price, the Digital Asset Holdings, the value of the Shares, the NAV and the NAV per Share. Moreover, any reduced demand for Shares of the Trust may cause the Shares of the Trust to trade at a discount to the Digital Asset Holdings per Share.

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 the value of 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. In January 2018, the SEC's Division of Investment Management outlined several questions that sponsors would be expected to address before the SEC will 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 (the "Investment Company Act"), 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, NYSE Arca previously withdrew the Sponsor's application with the SEC to list an affiliate of the Trust, Grayscale Bitcoin Trust (BTC), on a national securities exchange. Requests to list the shares of other funds on national securities exchanges have also been submitted to the SEC. Although the SEC approved several futures-based Bitcoin ETFs in October 2021, it has not approved any requests to list the shares of digital asset funds like the Trust to date. The requests to list the shares of digital asset funds submitted by the Chicago Board Options Exchange ("CBOE") and the NYSE Arca in 2019 were withdrawn or received disapprovals. Subsequently, NYSE Arca and CBOE filed several new requests to list shares of various digital asset funds in 2021. Several of those requests were recently denied by the SEC in 2021 and to date in 2022. The exchange listing of shares of digital asset funds 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 further 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 the value of the Shares.

Risk Factors Related to the Trust and the Shares

The Trust faces risks related to the COVID-19 outbreak, which could negatively impact the value of the Trust's holdings and significantly disrupt its affairs.

An outbreak of infectious respiratory illness caused by a novel coronavirus known as SARS-CoV-19 ("COVID-19") was first detected in China in December 2019 and has now been spread globally. This outbreak has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, lower consumer demand, layoffs, defaults and other significant economic impacts, as well as general concern and uncertainty. COVID-19 has had and will likely continue to have serious adverse effects on the economies and financial markets of many countries, resulting in an economic downturn that may adversely affect demand for digital assets generally and impact the value of, and demand for, the digital assets held by the Trust. Although the duration and magnitude of the impact of the COVID-19 outbreak or the occurrence of other epidemics or pandemics on the digital assets held by the Trust remains uncertain, the continued spread of COVID-19 and the imposition of related public health measures and travel and business restrictions have resulted in, and will continue to result in, increased volatility and uncertainty in economies and financial markets of many countries, which may include the Digital Asset Markets. For example, digital asset prices, including ZEN, decreased significantly in the first quarter of 2020 amidst broader market declines as a result of the COVID-19 outbreak. Governmental authorities and regulators throughout the world have, in the past, responded to major economic disruptions with a variety of fiscal and monetary policy changes, such as quantitative easing, new monetary programs and lower interest rates. An unexpected or quick reversal of these policies, or the ineffectiveness of these policies, is likely to increase volatility in economies and financial market generally, and could specifically increase volatility in the Digital Asset Markets, which could adversely affect the value of ZEN and the value of the Shares.

In addition, the COVID-19 pandemic has disrupted the operations of many businesses. In response to the COVID-19 pandemic, the Sponsor has made certain adjustments to its operations, including moving all of its employees to a remote working situation as of March 31, 2020. While the operations of the Sponsor and the Trust have not been materially impacted as of the date hereof, there can be no assurance that further developments with respect to the COVID-19 pandemic will not have such an impact. Moreover, the Trust relies on third party service providers to perform certain functions essential to managing the affairs of the Trust. Any disruptions to the Trust's service providers' business operations resulting from business restrictions, quarantines or restrictions on the ability of personnel to perform their jobs could have an adverse impact on the Trust's ability to access critical services and would be disruptive to the affairs of the Trust. The COVID-19 outbreak or a similar pandemic could also cause disruption to Digital Asset Markets, including the closure of Digital Asset Exchanges, which could impact the price of ZEN and impact the Reference Rate or the Reference Rate Provider's operations, all of which could have a negative impact on the Trust.

Because of the holding period under Rule 144, the lack of an ongoing redemption program and the Trust's ability to halt creations from time to time, there is no arbitrage mechanism to keep the value of the Shares closely linked to the Reference Rate Price and the Shares have historically traded at a substantial premium over, or a substantial discount to, the Digital Asset Holdings per Share.

Shares purchased in the private placement are subject to a holding period under Rule 144. Pursuant to Rule 144, once the Trust has been subject to the reporting requirements of Section 13 under the Exchange Act for a period of 90 days, the minimum holding period for Shares purchased in the private placement will be shortened from one year to six months. In addition, the Trust does not currently operate an ongoing redemption program and may halt creations from time to time. As a result, the Trust cannot rely on arbitrage opportunities resulting from differences between the value of the Shares and the price of ZEN to keep the value of the Shares closely linked to the Reference Rate Price. As a result, the value of the Shares of the Trust may not approximate the value of the Trust's Digital Asset Holdings per Share or meet the Trust's investment objective, and may trade at a substantial premium over, or a substantial discount to, the value of the Trust's Digital Asset Holdings per Share. For example, in the past, the price of the Shares as quoted on OTCQX varied significantly from the Digital Asset Holdings per Share due to these factors, among others, and has historically traded at a substantial premium over, or a substantial discount to, the Digital Asset Holdings per Share.

The Shares may trade at a price that is at, above or below the Trust's Digital Asset Holdings per Share as a result of the non-current trading hours between OTCQX and the Digital Asset Exchange Market.

The Trust's Digital Asset Holdings per Share will fluctuate with changes in the market value of ZEN, and the Sponsor expects the trading price of the Shares to fluctuate in accordance with changes in the Trust's Digital Asset Holdings per Share, as well as market supply and demand. However, the Shares may trade on OTCQX at, above or below the Trust's Digital Asset Holdings per Share for a variety of reasons. For example, OTCQX is open for trading in the Shares for a limited period each day, but the Digital Asset Exchange Market is a 24-hour marketplace. During periods when OTCQX is closed but Digital Asset Exchanges are open, significant changes in the price of ZEN on the Digital Asset Exchange Market could result in a difference in performance between the value of ZEN as measured by the Reference Rate and the most recent Digital Asset Holdings per Share or closing trading price. For example, if the price of ZEN on the Digital Asset Exchange Market, and the value of ZEN as measured by the Reference Rate, moves significantly in a negative direction after the close of OTCQX, the trading price of the Shares may "gap" down to the full extent of such negative price shift when OTCQX reopens. If the price of ZEN on the Digital Asset Exchange Market drops significantly during hours OTCQX is closed, shareholders may not be able to sell their Shares until after the "gap" down has been fully realized, resulting in an inability to mitigate losses in a rapidly negative market. Even during periods when OTCQX is open, large Digital Asset Exchanges (or a substantial number of smaller Digital Asset Exchanges) may be lightly traded or closed for any number of reasons, which could increase trading spreads and widen any premium or discount on the Shares.

Shareholders may suffer a loss on their investment if the Shares trade above or below the Trust's Digital Asset Holdings per Share.

Historically, the Shares have traded at both premiums and discounts to the Digital Asset Holdings per Share, which at times have been substantial. If the Shares trade at a premium, investors who purchase Shares on OTCQX will pay more for their Shares than investors who purchase Shares directly from Authorized Participants. In contrast, if the Shares trade on OTCQX at a discount, investors who purchase Shares directly from Authorized Participants will pay more for their Shares than investors who purchase Shares on OTCQX. The premium or discount at which the Shares have traded has fluctuated over time. For example, from October 19, 2021 to December 31, 2021, the maximum premium of the closing price of the Shares quoted on OTCQX over the value of the Trust's Digital Asset Holdings per Share was 127% and the average premium was 31%. During this period the maximum discount of the closing price of the Shares quoted on OTCQX below the value of the Trust's Digital Asset Holdings per Share was 19% and the average discount was 9%. The closing price of the Shares, as quoted on OTCQX at 4:00 p.m., New York time, on each business day, has been quoted at a discount on 9 days. As a result, shareholders who purchase Shares on OTCQX may suffer a loss on their investment if they sell their Shares at a time when the premium has decreased from the premium at which they purchased the Shares even if the Digital Asset Holdings per Share remains the same. Likewise, shareholders that purchase Shares directly from the Trust may suffer a loss on their investment if they sell their Shares at a time when the Shares are trading at a discount on OTCQX. Furthermore, shareholders may suffer a loss on their investment even if the Digital Asset Holdings per Share increases because the decrease in any premium or increase in any discount may offset any increase in the Digital Asset Holdings per Share.

The amount of the Trust's assets represented by each Share will decline over time as the Trust pays the Sponsor's Fee and Additional Trust Expenses, and as a result, the value of the Shares may decrease over time.

The Sponsor's Fee accrues daily in U.S. dollars at an annual rate based on the Digital Asset Holdings Fee Basis Amount, which is based on the Digital Asset Holdings of the Trust, and is paid to the Sponsor in ZEN. See "Activities of the Trust—Impact of Trust Expenses on the Trust's Digital Asset Holdings" and "Activities of the Trust—Hypothetical Expense Example." As a result, the amount of Trust's assets represented by each Share declines as the Trust pays the Sponsor's Fee (or sells ZEN in order to raise cash to pay any Additional Trust Expenses), which may cause the Shares to decrease in value over time or dampen any increase in value.

The value of the Shares may be influenced by a variety of factors unrelated to the value of ZEN.

The value of the Shares may be influenced by a variety of factors unrelated to the price of ZEN and the Digital Asset Exchanges included in the Reference Rate that may have an adverse effect on the value of the Shares. These factors include the following factors:

- Unanticipated problems or issues with respect to the mechanics of the Trust's operations and the trading of the Shares may arise, in particular due to the fact that the mechanisms and procedures governing the creation and offering of the Shares and storage of ZEN have been developed specifically for this product;
- The Trust could experience difficulties in operating and maintaining its technical infrastructure, including in connection with expansions or updates to such infrastructure, which are likely to be complex and could lead to unanticipated delays, unforeseen expenses and security vulnerabilities;
- The Trust could experience unforeseen issues relating to the performance and effectiveness of the security procedures used to protect the Digital Asset Account, or the security procedures may not protect against all errors, software flaws or other vulnerabilities in the Trust's technical infrastructure, which could result in theft, loss or damage of its assets; or
- Service providers may decide to terminate their relationships with the Trust due to concerns that the introduction of privacy enhancing features to the Horizen Network may increase the potential for ZEN to be used to facilitate crime, exposing such service providers to potential reputational harm.

Any of these factors could affect the value of the Shares, either directly or indirectly through their effect on the Trust's assets.

Shareholders do not have the protections associated with ownership of shares in an investment company registered under the Investment Company 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 a registered 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 will not hold or trade in commodity interests 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 adviser 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.

Shares purchased in the private placement 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. In determining whether to grant approval, the Sponsor will specifically look at whether the conditions of Rule 144 under the Securities Act and any other applicable laws have been met. 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, shareholders 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 demand for the Shares and their value.

Affiliates of the Trust previously entered into a settlement agreement with the SEC concerning the operation of one such affiliate's former redemption programs.

On April 1, 2014, Grayscale Bitcoin Trust (BTC), an affiliate of the Trust, launched a program pursuant to which its shareholders could request redemptions from Genesis Global Trading Inc. ("Genesis"), an affiliate of the Trust and the sole Authorized Participant of Grayscale Bitcoin Trust (BTC) at that time. On September 23, 2014, Genesis received a letter from the staff of the SEC's Office of Compliance Inspections and Examinations summarizing the staff's findings from an onsite review of Genesis's broker-dealer activities conducted in June 2014. In its exit report, the staff stated that it had concluded that Grayscale Bitcoin Trust (BTC)'s redemption program, in which its shareholders were permitted to request the redemption of their shares through Genesis, appeared to violate Regulation M under the Exchange Act because such redemptions of shares took place at the same time Grayscale Bitcoin Trust (BTC) was in the process of creating shares. On July 11, 2016, Genesis and Grayscale Bitcoin Trust (BTC) entered into a settlement agreement with the SEC whereby they agreed to a

cease-and-desist order against future violations of Rules 101 and 102 of Regulation M under the Exchange Act. Genesis also agreed to pay disgorgement of \$51,650.11 in redemption fees it collected, plus prejudgment interest of \$2,105.68, for a total of \$53,755.79. The Trust currently has no intention of seeking an exemption from the SEC under Regulation M in order to institute a redemption program.

There is no guarantee that an active trading market for the Shares will continue to develop.

The Shares are qualified for public trading on OTCQX and an active trading market for the Shares has developed. However, there can be no assurance that such trading market will be maintained or continue to develop. In addition, OTCQX can halt the trading of the Shares for a variety of reasons. To the extent that OTCQX halts trading in the Shares, whether on a temporary or permanent basis, investors may not be able to buy or sell Shares, which could adversely affect the value of the Shares. If an active trading market for the Shares does not continue to exist, the market prices and liquidity of the Shares may be adversely affected.

We also intend to seek to list the Shares on NYSE Arca sometime in the future. NYSE Arca must receive approval from the SEC in order to list the Shares. During 2016 and 2017, NYSE Arca and other exchanges filed several requests with the SEC to list the shares of digital asset funds, including the shares of Grayscale Bitcoin Trust (BTC). After the SEC issued disapprovals for a number of these requests, NYSE Arca withdrew its request relating to the shares of Grayscale Bitcoin Trust (BTC). Although the SEC approved several futures-based Bitcoin ETFs in October 2021, it has not approved any requests to list the shares of digital asset funds like the Trust to date. The requests to list the shares of digital asset funds submitted by the Chicago Board Options Exchange (“CBOE”) and the NYSE Arca in 2019 were withdrawn or received disapprovals. Subsequently, NYSE Arca and CBOE filed several new requests to list shares of various digital asset funds in 2021. Several of those requests were recently denied by the SEC in 2021 and to date in 2022. As such, there is no guarantee that we will be successful in listing the Shares on NYSE Arca even once we decide to do so.

The Trust’s investments in ZEN may be illiquid.

It may be difficult or impossible for the Trust to sell ZEN. Any such illiquidity may impact the Trust’s ability to sell ZEN, even under circumstances when the Sponsor believes it would be advantageous to do so. Digital assets are also often difficult to value and market prices for digital assets have experienced significant volatility in comparison to more liquid investments in other asset classes, such as equities, which could adversely affect the price at which the Trust is able to sell ZEN, if it is able to do so at all.

As the Sponsor and its management have limited history of operating investment vehicles 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.

Security threats to the Digital Asset Account could result in the halting of Trust operations and a loss of Trust assets or damage to the reputation of the Trust, each of which could result in a reduction in the value of the Shares.

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in relation to digital assets. The Sponsor believes that the Trust’s ZEN held in the Digital Asset Account will be an

appealing target to hackers or malware distributors seeking to destroy, damage or steal the Trust's ZEN and will only become more appealing as the Trust's assets grow. To the extent that the Trust, the Sponsor or the Custodian is unable to identify and mitigate or stop new security threats or otherwise adapt to technological changes in the digital asset industry, the Trust's ZEN may be subject to theft, loss, destruction or other attack.

The Sponsor believes that the security procedures in place for the Trust, including, but not limited to, offline storage, or "cold storage," multiple encrypted private key "shards", usernames, passwords and 2-step verification, are reasonably designed to safeguard the Trust's ZEN. 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.

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, the Custodian, or otherwise, and, as a result, an unauthorized party may obtain access to a Digital Asset Account, the relevant private keys (and therefore ZEN) or other data of the Trust. Additionally, outside parties may attempt to fraudulently induce employees of the Sponsor or the Custodian 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 and the Custodian may be unable to anticipate these techniques or implement adequate preventative measures.

An actual or perceived breach of a Digital Asset Account could harm the Trust's operations, result in loss of the Trust's assets, damage the Trust's reputation and negatively affect the market perception of the effectiveness of the Trust, all of which could in turn reduce demand for the Shares, resulting in a reduction in the value of the Shares. The Trust may also cease operations, the occurrence of which could similarly result in a reduction in the value of the Shares.

ZEN transactions are irrevocable and stolen or incorrectly transferred ZEN may be irretrievable. As a result, any incorrectly executed ZEN transactions could adversely affect the value of the Shares.

ZEN transactions are typically 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 or theft of ZEN 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 ZEN will regularly be made to or from the Digital Asset Account, it is possible that, through computer or human error, or through theft or criminal action, the Trust's ZEN could be transferred from the Trust's Digital Asset Account in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

Such events have occurred in connection with digital assets in the past. For example, in September 2014, the Chinese Digital Asset 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. 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 ZEN through error or theft, the Trust will be unable to revert or otherwise recover incorrectly transferred ZEN. The Trust will also be unable to convert or recover its ZEN 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 the value of the Shares.

The Sponsor may need to find and appoint a replacement custodian, which could pose a challenge to the safekeeping of the Trust's ZEN.

The Sponsor could decide to replace Coinbase Custody Trust Company, LLC as the custodian of the Trust's ZEN. Transferring maintenance responsibilities of the Digital Asset Account to another party will likely be

complex and could subject the Trust's ZEN 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 custodian under the same terms as the current Custodian Agreement. To the extent that Sponsor is not able to find a suitable party willing to serve as the custodian, the Sponsor may be required to terminate the Trust and liquidate the Trust's ZEN. In addition, to the extent that the Sponsor finds a suitable party but must enter into a modified Custodian Agreement that is less favorable for the Trust or Sponsor, the value of the Shares could be adversely affected.

The lack of full insurance and shareholders' limited rights of legal recourse against the Trust, Trustee, Sponsor, Transfer Agent and Custodian expose the Trust and its shareholders to the risk of loss of the Trust's ZEN for which no person or entity is liable.

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. In addition, neither the Trust nor the Sponsor insure the Trust's ZEN. While the Custodian has advised the Sponsor that it has insurance coverage of up to \$320 million that covers losses of the digital assets it custodies on behalf of its clients, including the Trust's ZEN, resulting from theft, shareholders cannot be assured that the Custodian will maintain adequate insurance or that such coverage will cover losses with respect to the Trust's ZEN. While the Custodian maintains certain capital reserve requirements depending on the assets under custody, and such capital reserves may provide additional means to cover client asset losses, the Sponsor does not know the amount of such capital reserves, and neither the Trust nor the Sponsor have access to such information. The Trust cannot be assured that the Custodian will maintain capital reserves sufficient to cover losses with respect to the Trust's digital assets.

Furthermore, under the Custodian Agreement, the Custodian's liability with respect to the Trust will never exceed the value of the ZEN on deposit in the Digital Asset Account at the time of, and directly relating to, the events giving rise to the liability occurred, as determined in accordance with the Custodian Agreement. In addition, for as long as a cold storage address holds ZEN with a value in excess of \$100 million (the "Cold Storage Threshold") for a period of five consecutive business days or more without being reduced to the Cold Storage Threshold or lower, the Custodian's maximum liability for such cold storage address shall be limited to the Cold Storage Threshold. The Sponsor monitors the value of ZEN deposited in cold storage addresses for whether the Cold Storage Threshold has been met by determining the U.S. dollar value of ZEN deposited in each cold storage address on business days. The Custodian is not liable for any lost profits or any special, incidental, indirect, intangible, or consequential damages, whether based in contract, tort, negligence, strict liability or otherwise, and whether or not the Custodian has been advised of such losses or the Custodian knew or should have known of the possibility of such damages. Notwithstanding the foregoing, the Custodian is liable to the Sponsor and the Trust for the loss of any ZEN to the extent that the Custodian directly caused such loss (including if the Trust or the Sponsor is not able to timely withdraw ZEN from the Digital Asset Account according to the Custodian Agreement), even if the Custodian meets its duty of exercising best efforts, and the Custodian is required to return to the Trust a quantity equal to the quantity of any such lost ZEN. Although the Cold Storage Threshold has never been met for a given cold storage address, to the extent it is met and not reduced within five business days, the Trust would not have a claim against the Custodian with respect to the digital assets held in such address to the extent the value exceeds the Cold Storage Threshold.

The shareholders' recourse against the Sponsor and the Trust's other service providers for the services they provide to the Trust, including those relating to the provision of instructions relating to the movement of ZEN, is limited. Consequently, a loss may be suffered with respect to the Trust's ZEN that is not covered by insurance and for which no person is liable in damages. As a result, the recourse of the Trust or the shareholders, under New York law, is limited.

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

Pursuant to the terms of the Trust Agreement, the Trust is required to dissolve under certain circumstances. In addition, the Sponsor may, in its sole discretion, dissolve the Trust for a number of reasons, including if the Sponsor determines, in its sole discretion, that it is desirable or advisable for any reason to discontinue the affairs of the Trust. For example, the Sponsor expects that it may be advisable to discontinue the affairs of the Trust if the SEC or a federal court were to determine that ZEN is a security under the federal securities laws, among other reasons. See “Description of Trust Documents—Description of the Trust Agreement—The Trustee—Termination of the Trust.”

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 ZEN is lower than the Reference Rate Price was at the time when shareholders purchased their Shares. In such a case, when the Trust’s ZEN is sold as part of its 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 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. Shareholders 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 the value of 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. Under Delaware law, a shareholder may bring a derivative action if the shareholder is a shareholder at the time the action is brought and either (i) was a shareholder at the time of the transaction at issue or (ii) acquired the status of shareholder by operation of law or the Trust’s governing instrument from a person who was a shareholder at the time of the transaction at issue. Additionally, Section 3816(e) of the Delaware Statutory Trust Act specifically provides that a “beneficial owner’s right to bring a derivative action may be subject to such additional standards and restrictions, if any, as are set forth in the governing instrument of the statutory trust, including, without limitation, the requirement that beneficial owners owning a specified beneficial interest in the statutory trust join in the bringing of the derivative action.” In addition to the requirements of applicable law and in accordance with Section 3816(e), the Trust Agreement provides that 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” (as defined in the Trust Agreement and below) 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. This provision applies to any derivative actions brought in the name of the Trust other than claims under the federal securities laws and the rules and regulations thereunder.

Due to this additional requirement, a shareholder attempting to bring or maintain a derivative action in the name of the Trust will be required to locate other shareholders with which it is not affiliated and that have

sufficient Shares to meet the 10.0% threshold based on the number of Shares outstanding on the date the claim is brought and thereafter throughout the duration of the action, suit or proceeding. This may be difficult and may result in increased costs to a shareholder attempting to seek redress in the name of the Trust in court. Moreover, if shareholders bringing a derivative action, suit or proceeding pursuant to this provision of the Trust Agreement do not hold 10.0% of the outstanding Shares on the date such an action, suit or proceeding is brought, or such shareholders are unable to maintain Share ownership meeting the 10.0% threshold throughout the duration of the action, suit or proceeding, such shareholders' derivative action may be subject to dismissal. As a result, the Trust Agreement limits the likelihood that a shareholder will be able to successfully assert a derivative action in the name of the Trust, even if such shareholder believes that he or she has a valid derivative action, suit or other proceeding to bring on behalf of the Trust. See "Description of Trust Documents—The Sponsor—Fiduciary and Regulatory Duties of the Sponsor" for more detail.

The Sponsor is solely responsible for determining the value of the Digital Asset Holdings and Digital Asset 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 Digital Asset Holdings and Digital Asset 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 Reference Rate Price, calculated at 4:00 p.m., New York time, on such day. If the Sponsor determines in good faith that the Reference Rate does not reflect an accurate ZEN price, then the Sponsor will employ an alternative method to determine the Reference Rate Price under the cascading set of rules set forth in "Overview of Horizon—ZEN Value—The Reference Rate and the Reference Rate Price—Determination of the Reference Rate Price When Reference Rate Price is Unavailable." There are no predefined criteria to make a good faith assessment as to which of the rules the Sponsor will apply and the Sponsor may make this determination in its sole discretion. The Sponsor may calculate the Reference Rate Price in a manner that ultimately inaccurately reflects the price of ZEN. To the extent that the Digital Asset Holdings, Digital Asset Holdings per Share or the Reference Rate Price are incorrectly calculated, the Sponsor may not be liable for any error and such misreporting of valuation data could adversely affect the value of the Shares and investors could suffer a substantial loss on their investment in the Trust. Moreover, the terms of the Trust Agreement do not prohibit the Sponsor from changing the Reference Rate Price used to calculate the Digital Asset Holdings and Digital Asset Holdings per Share of the Trust. Any such change in the Reference Rate Price could affect the value of the Shares and investors could suffer a substantial loss on their investment in the Trust.

Extraordinary expenses resulting from unanticipated events may become payable by the Trust, adversely affecting the value of the Shares.

In consideration for the Sponsor's Fee, the Sponsor has contractually assumed all ordinary-course operational and periodic expenses of the Trust. See "Activities of the Trust—Trust Expenses." Extraordinary expenses incurred by the Trust, such as taxes and governmental charges; expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of shareholders (including in connection with any Incidental Rights and any IR Virtual Currency); or extraordinary legal fees and expenses are not assumed by the Sponsor and are borne by the Trust. The Sponsor will cause the Trust to either (i) sell ZEN, Incidental Rights and/or IR Virtual Currency held by the Trust or (ii) deliver ZEN, 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 ZEN, 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 to take advantage of fluctuations in the prices of ZEN, Incidental Rights or IR Virtual Currency. Consequently, if the

Trust incurs expenses in U.S. dollars, the Trust's ZEN, 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 the Trust pays expenses, it will deliver ZEN, Incidental Rights or IR Virtual Currency to the Sponsor or sell ZEN, 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 its 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 ZEN, 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 "Certain U.S. Federal Income Tax Consequences."

The Trust's delivery or sale of ZEN 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 ZEN by the Trust to pay the Sponsor's Fee or other expenses and each sale of ZEN 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 "Certain 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 or the Custodian under the Trust Documents.

Under the Trust Documents, each of the Sponsor, the Trustee, the Transfer Agent and the Custodian 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 or the Custodian 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 Digital Asset Holdings of the Trust and the value of the Shares.

Intellectual property rights claims may adversely affect the Trust and the value of the Shares.

The Sponsor is not aware of any intellectual property rights claims that may prevent the Trust from operating and holding ZEN, 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 ZEN, 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 that would be borne by the Trust through the sale or transfer of its ZEN, 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 its ZEN, Incidental Rights or IR Virtual Currency. As a result, an intellectual property rights claim against the Trust could adversely affect the value of the Shares.

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

Regulatory changes or actions by the U.S. Congress or any U.S. federal or state agencies may affect the value of the Shares or restrict the use of ZEN, mining activity or the operation of the Horizen Network or the Digital Asset Markets in a manner that adversely affects the value of the Shares.

As digital assets 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, the Department of Justice, The Department of Homeland Security, the Federal Bureau of Investigation, the IRS and state financial institution regulators) have been examining the operations of digital asset networks, digital asset users and the Digital Asset Markets, with particular focus on the extent to which digital assets can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises and the safety and soundness of exchanges and other service providers that hold digital assets for users. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by digital assets to investors. Ongoing and future regulatory actions with respect to digital assets generally or ZEN in particular 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 August 2021, the chair of the SEC stated that he believed investors using digital asset trading platforms are not adequately protected, and that activities on the platforms can implicate the securities laws, commodities laws and banking laws, raising a number of issues related to protecting investors and consumers, guarding against illicit activity, and ensuring financial stability. The chair expressed a need for the SEC to have additional authorities to prevent transactions, products, and platforms from “falling between regulatory cracks,” as well as for more resources to protect investors in “this growing and volatile sector.” The chair called for federal legislation centering on digital asset trading, lending, and decentralized finance platforms, seeking “additional plenary authority” to write rules for digital asset trading and lending. Moreover, President Biden’s March 9, 2022 Executive Order, asserting that technological advances and the rapid growth of the digital asset markets “necessitate an evaluation and alignment of the United States Government approach to digital assets,” signals an ongoing focus on digital asset policy and regulation in the United States. It is difficult to predict whether President Biden’s March 9, 2022 Executive Order will lead to Congress granting additional authorities to the SEC or other regulators, what the nature of such additional authorities might be, how they might impact the ability of Digital Asset Markets to function or how any new regulations that may flow from such authorities might impact the value of digital assets generally and ZEN held by the Trust specifically. The consequences of increased federal regulation of digital assets and digital asset activities could have a material adverse effect on the Trust and the Shares.

Law enforcement agencies have often relied on the transparency of blockchains to facilitate investigations. However, certain privacy-enhancing features have been, or are expected to be, introduced to a number of digital asset networks. If the Horizen Network were to adopt any of these features, these features may provide law enforcement agencies with less visibility into transaction-level data. Europol, the European Union’s law enforcement agency, released a report in October 2017 noting the increased use of privacy-enhancing digital assets like Zcash and Monero in criminal activity on the internet. Although no regulatory action has been taken to treat privacy-enhancing digital assets differently, this may change in the future.

A determination that ZEN or any other digital asset is a “security” may adversely affect the value of ZEN and the value of the Shares, and result in potentially extraordinary, nonrecurring expenses to, or termination of, the Trust.

Depending on its characteristics, a digital asset may be considered a “security” under the federal securities laws. The test for determining whether a particular digital asset is a “security” is complex and difficult to apply, and the outcome is difficult to predict. Public, though non-binding, statements by senior officials at the SEC have indicated that the SEC did not consider Bitcoin or Ethereum to be securities, and does not currently consider Bitcoin to be a security. The SEC staff has also provided informal assurances to a handful of promoters that their

digital assets are not securities. On the other hand, the SEC has brought enforcement actions against the promoters of several other digital assets on the basis that the digital assets in question are securities.

Whether a digital asset is a security under the federal securities laws depends on whether it is included in the lists of instruments making up the definition of “security” in the Securities Act, the Exchange Act and the Investment Company Act. Digital assets as such do not appear in any of these lists, although each list includes the terms “investment contract” and “note,” and the SEC has typically analyzed whether a particular digital asset is a security by reference to whether it meets the tests developed by the federal courts interpreting these terms, known as the *Howey* and *Reves* tests, respectively. For many digital assets, whether or not the *Howey* or *Reves* tests are met is difficult to resolve definitively, and substantial legal arguments can often be made both in favor of and against a particular digital asset qualifying as a security under one or both of the *Howey* and *Reves* tests. Adding to the complexity, the SEC staff has indicated that the security status of a particular digital asset can change over time as the relevant facts evolve.

As part of determining whether ZEN is a security for purposes of the federal securities laws, the Sponsor takes into account a number of factors, including the various definitions of “security” under the federal securities laws and federal court decisions interpreting elements of these definitions, such as the U.S. Supreme Court’s decisions in the *Howey* and *Reves* cases, as well as reports, orders, press releases, public statements and speeches by the SEC and its staff providing guidance on when a digital asset may be a security for purposes of the federal securities laws. Finally, the Sponsor discusses the security status of ZEN with its external securities lawyers. Through this process the Sponsor believes that it is applying the proper legal standards in determining that ZEN is not a security in light of the uncertainties inherent in the *Howey* and *Reves* tests. However, because of these uncertainties, the Sponsor acknowledges that ZEN may in the future be found by the SEC or a federal court to be a security notwithstanding the Sponsor’s prior conclusion; and the Sponsor’s prior conclusion, even if reasonable under the circumstances, would not preclude legal or regulatory action based on the presence of a security.

As is the case with ZEN, analyses from counsel typically review the often-complex facts surrounding a particular digital asset’s underlying technology, creation, use case and usage, distribution and secondary-market trading characteristics as well as contributions of the individuals or organizations who appear to be involved in these activities, among other relevant facts, usually drawing on publicly available information. This information, usually found on the Internet, often includes both information that originated with or is attributed to such individuals or organizations, as well as information from third party sources and databases that may or may not have a connection to such individuals or organizations, and the availability and nature of such information can change over time. The Sponsor and counsel often have no independent means of verifying the accuracy or completeness of such information, and therefore of necessity usually must assume that such information is materially accurate and complete for purposes of the *Howey* and *Reves* analyses. After having gathered this information, counsel typically analyzes it in light of the *Howey* and *Reves* tests, in order to inform a judgment as to whether or not a federal court would conclude that the digital asset in question is or is not a security for purposes of the federal securities laws. Often, certain factors appear to support a conclusion that the digital asset in question is a security, while other factors appear to support the opposite conclusion, and in such a case counsel endeavors to weigh the importance and relevance of the competing factors. This analytical process is further complicated by the fact that, at present, federal judicial case law applying the relevant tests to digital assets is scant, with no federal appellate court having considered the question on the merits, as well as the fact that because each digital asset presents its own unique set of relevant facts, it is not always possible to directly analogize the analysis of one digital asset to another. Because of this factual complexity and the current lack of a well-developed body of federal case law applying the relevant tests to a variety of different fact patterns, the Sponsor has not in the past received, and currently does not expect that it would be able to receive, “opinions” of counsel stating that a particular digital asset is or is not a security for federal securities law purposes. The Sponsor understands that as a matter of practice, counsel is generally able to render a legal “opinion” only when the relevant facts are substantially ascertainable and the applicable law is both well-developed and settled. As a result, given the relative novelty of digital assets, the challenges inherent in fact-gathering for particular digital assets, and the fact that federal courts have only recently been tasked with adjudicating the applicability of

federal securities law to digital assets, the Sponsor understands that at present counsel is generally not in a position to render a legal “opinion” on the securities-law status of ZEN or any other particular digital asset.

The Sponsor does not intend to permit the Trust to continue holding ZEN (and therefore would dissolve the Trust) if the Sponsor determines it is a security under the federal securities laws, whether that determination is initially made by the Sponsor itself, or because the SEC or a federal court subsequently makes that determination. Because the legal tests for determining whether a digital asset is or is not a security often leave room for interpretation, for so long as the Sponsor believes there to be good faith grounds to conclude that the Trust’s ZEN is not a security, the Sponsor does not intend to dissolve the Trust on the basis that ZEN could at some future point be determined to be a security.

Any enforcement action by the SEC or a state securities regulator asserting that ZEN is a security, or a court decision to that effect, would be expected to have an immediate material adverse impact on the trading value of ZEN, as well as the Shares. This is because the business models behind most digital assets are incompatible with regulations applying to transactions in securities. If a digital asset is determined or asserted to be a security, it is likely to become difficult or impossible for the digital asset to be traded, cleared or custodied in the United States through the same channels used by non-security digital assets, which in addition to materially and adversely affecting the trading value of the digital asset is likely to significantly impact its liquidity and market participants’ ability to convert the digital asset into U.S. dollars.

For example, in 2020 the SEC filed a complaint against the promoters of XRP alleging that they raised more than \$1.3 billion through XRP sales that should have been registered under the federal securities laws, but were not. In the years prior to the SEC’s action, XRP’s market capitalization at times reached over \$140 billion. However, in the weeks following the SEC’s complaint, XRP’s market capitalization fell to less than \$10 billion, which was less than half of its market capitalization in the days prior to the complaint. The SEC’s action against XRP’s promoters underscores the continuing uncertainty around which digital assets are securities, and demonstrates that such factors as how long a digital asset has been in existence, how widely held it is, how large its market capitalization is and that it has actual usefulness in commercial transactions, ultimately may have no bearing on whether the SEC or a court will find it to be a security.

In addition, if ZEN is determined to be a security, the Trust could be considered an unregistered “investment company” under SEC rules, which could necessitate the Trust’s liquidation. In this case, the Trust and the Sponsor may be deemed to have participated in an illegal offering of securities and there is no guarantee that the Sponsor will be able to register the Trust under the Investment Company Act at such time or take such other actions as may be necessary to ensure the Trust’s activities comply with applicable law, which could force the Sponsor to liquidate the Trust.

Moreover, whether or not the Sponsor or the Trust were subject to additional regulatory requirements as a result of any SEC or federal court determination that its assets include securities, the Sponsor may nevertheless decide to terminate the Trust, in order, if possible, to liquidate the Trust’s assets while a liquid market still exists. As a result, if the SEC or a federal court were to determine that Bitcoin is a security, it is likely that the value of the Shares of the Trust would decline significantly, and that the Trust itself would be terminated and, if practical, its assets liquidated.

Changes in SEC policy could adversely impact the value of the Shares.

The effect of any future regulatory change on the Trust or the digital assets held by the Trust is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Shares. In particular, the SEC has not yet approved the listing on a national securities exchange of any non-futures based digital-asset focused exchange-traded fund (“ETF”). If the SEC were to approve any such ETF in the future, such an ETF may be perceived to be a superior investment product offering exposure to digital assets compared to the Trust because the value of the shares issued by such an ETF would be expected to more closely track the ETF’s net

asset value than do Shares of the Trust, and investors may therefore favor investments in such ETFs over investments in the Trust. Any weakening in demand for the Shares compared to digital asset ETF shares could cause the value of the Shares to decline.

Competing industries may have more influence with policymakers than the digital asset industry, which could lead to the adoption of laws and regulations that are harmful to the digital asset industry.

The digital asset industry is relatively new and does not have the same access to policymakers and lobbying organizations in many jurisdictions compared to industries with which digital assets may be seen to compete, such as banking, payments and consumer finance. Competitors from other, more established industries may have greater access to and influence with governmental officials and regulators and may be successful in persuading these policymakers that digital assets require heightened levels of regulation compared to the regulation of traditional financial services. As a result, new laws and regulations may be proposed and adopted in the United States and elsewhere, or existing laws and regulations may be interpreted in new ways, that disfavor or impose compliance burdens on the digital asset industry or crypto asset platforms, which could adversely impact the value of ZEN and therefore the value of the Shares.

Regulatory changes or actions in foreign jurisdictions may affect the value of the Shares or restrict the use of one or more digital assets, mining activity or the operation of their networks or the Digital Asset Exchange Market in a manner that adversely affects the value of the Shares.

Various foreign jurisdictions have, and may continue to adopt laws, regulations or directives that affect the digital asset network, the Digital Asset Markets, and their users, particularly Digital Asset Exchanges and service providers that fall within such jurisdictions' regulatory scope. For example, if China or other foreign jurisdictions were to ban or otherwise restrict mining activity, including by regulating or limiting manufacturers' ability to produce or sell semiconductors or hard drives in connection with mining, it would have a material adverse effect on digital asset networks (including the Horizen Network), the Digital Asset Market, and as a result, impact the value of the Shares.

A number of foreign jurisdictions have recently taken regulatory action aimed at digital asset activities. China has made transacting in cryptocurrencies illegal for Chinese citizens in mainland China, and additional restrictions may follow. Both China and South Korea have banned initial coin offerings entirely and regulators in other jurisdictions, including Canada, Singapore and Hong Kong, have opined that initial coin offerings may constitute securities offerings subject to local securities regulations. In May 2021, the Chinese government announced renewed efforts to restrict cryptocurrency trading and mining activities, citing concerns about high energy consumption and its desire to promote financial stability. Regulators in the Inner Mongolia and other regions of China have proposed regulations that would create penalties for companies engaged in cryptocurrency mining activities and introduce heightened energy saving requirements on industrial parks, data centers and power plants providing electricity to cryptocurrency miners. The United Kingdom's Financial Conduct Authority published final rules in October 2020 banning the sale of derivatives and exchange traded notes that reference certain types of digital assets, contending that they are "ill-suited" to retail investors citing extreme volatility, valuation challenges and association with financial crime. See "Overview of Horizen—Government Oversight."

Foreign laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of one or more digital assets 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 ZEN. The effect of any future regulatory change on the Trust or ZEN is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Shares.

If regulators or public utilities take actions that restrict or otherwise impact mining activities, there may be a significant decline in such activities, which could adversely affect the Horizen Network and the value of the Shares.

Concerns have been raised about the electricity required to secure and maintain digital asset networks. For example, as of December 31, 2021, over 179 million tera hashes are performed every second in connection with mining on the Bitcoin network. Although measuring the electricity consumed by this process is difficult because these operations are performed by various machines with varying levels of efficiency, the process consumes a significant amount of energy. The operations of the Horizen Network and other digital asset networks may also consume significant amounts of energy. Further, in addition to the direct energy costs of performing calculations on any given digital asset network, there are indirect costs that impact a network's total energy consumption, including the costs of cooling the machines that perform these calculations.

Driven by concerns around energy consumption and the impact on public utility companies, various states and cities have implemented, or are considering implementing, moratoriums on mining activity in their jurisdictions. A significant reduction in mining activity as a result of such actions could adversely affect the security of a Horizen Network by making it easier for a malicious actor or botnet to manipulate the Blockchain. See “—If a malicious actor or botnet obtains control of more than 50% of the processing power on the Horizen Network, or otherwise obtains control over the Horizen Network through its influence over core developers or otherwise, such actor or botnet could manipulate the Blockchain to adversely affect the value of the Shares or the ability of the Trust to operate.” If regulators or public utilities take action that restricts or otherwise impacts mining activities, such actions could result in decreased security of a digital asset network, including the Horizen Network, and consequently adversely impact the value of the Shares.

If regulators subject an Authorized Participant, the Trust or the Sponsor to regulation as a money service business or money transmitter, this could result in extraordinary expenses to the Authorized Participant, the Trust or Sponsor and also result in decreased liquidity for the Shares.

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, such Authorized Participant, the Trust or the 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 asset business, such as under the New York State Department of Financial Services’ BitLicense regulation.

Such additional regulatory obligations may cause the Authorized Participant, the Trust or the Sponsor to incur extraordinary expenses. If the Authorized Participant, the Trust or the Sponsor decided to seek the required licenses, there is no guarantee that they will timely receive them. An Authorized Participant may instead decide to terminate its role as Authorized Participant of the Trust, or the Sponsor may decide to discontinue and wind up the Trust. An Authorized Participant’s decision to cease acting as such may decrease the liquidity of the Shares, which could adversely affect the value of the Shares, and termination of the Trust in response to the changed regulatory circumstances may be at a time that is disadvantageous to the shareholders.

Additionally, to the extent an Authorized Participant, the Trust or the Sponsor is found to have operated without appropriate state or federal licenses, it may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which would harm the reputation of the Trust or the Sponsor, decrease the liquidity, and have a material adverse effect on the price of, the Shares.

Regulatory changes or interpretations could obligate the Trust or 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 ZEN is treated. In particular, ZEN 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. The Sponsor and the Trust cannot be certain as to how future regulatory developments will impact the treatment of ZEN 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 ZEN 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 adviser 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 ZEN at a time that is disadvantageous to shareholders.

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

If the IRS were to disagree with, and successfully challenge, certain positions the Trust may take, including with respect to Incidental Rights and IR Virtual Currency, the Trust might not qualify as a grantor trust. In addition, the Sponsor has delivered the Pre-Creation Abandonment Notice to the Custodian stating that the Trust is irrevocably abandoning, effective immediately prior to each Creation Time, all Incidental Rights and IR Virtual Currency to which it would otherwise be entitled as of such time and with respect to which it has not taken any Affirmative Action at or prior to such time. There can be no complete assurance that these abandonments will be treated as effective for U.S. federal income tax purposes. If the Trust were treated as owning any asset other than ZEN 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.

Because of the evolving nature of digital assets, it is not possible to predict potential future developments that may arise with respect to digital assets, including forks, airdrops and other similar occurrences. Assuming that the Trust is currently 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.

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 assets for U.S. federal income tax purposes (as discussed below in “Certain U.S. Federal Income Tax Consequences—Uncertainty Regarding the U.S. Federal Income Tax Treatment of Digital Assets”), 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 of the recognition of taxable income or loss. 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 the 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. Any such dividend distributed to a beneficial owner of Shares that is a non-U.S. person for U.S. federal income tax purposes would be subject to U.S. federal withholding tax at a rate of 30% (or such lower rate as provided in an applicable tax treaty).

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

As discussed in the section entitled “Certain U.S. Federal Income Tax Consequences—Uncertainty Regarding the U.S. Federal Income Tax Treatment of Digital Assets” 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 ZEN (and, if applicable, any Incidental Rights and/or IR Virtual Currency) held in the Trust. Due to the new and evolving nature of digital assets and the absence of comprehensive guidance with respect to digital assets, many significant aspects of the U.S. federal income tax treatment of digital assets are uncertain.

In 2014, the Internal Revenue Service (“IRS”) released a notice (the “Notice”) discussing certain aspects of “convertible virtual currency” (that is, digital assets that have an equivalent value in fiat currency or that act as substitutes for fiat currency) for U.S. federal income tax purposes and, in particular, stating that such digital assets (i) are “property” (ii) are not currency” for purposes of the rules relating to foreign currency gain or loss and (iii) may be held as a capital asset. In 2019, the IRS released a revenue ruling and a set of “Frequently Asked Questions” (the “Ruling & FAQs”) that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital assets are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital assets. However, the Notice and the Ruling & FAQs do not address other significant aspects of the U.S. federal income tax treatment of digital assets. Moreover, although the Ruling & FAQs address the treatment of hard forks, there continues to be uncertainty with respect to the timing and amount of the income inclusions.

There can be no assurance that the IRS will not alter its position with respect to digital assets in the future or that a court would uphold the treatment set forth in the Notice and the Ruling & FAQs. It is also unclear what additional guidance on the treatment of digital assets for U.S. federal income tax purposes may be issued in the future. Any such alteration of the current IRS positions or additional guidance could result in adverse tax consequences for shareholders and could have an adverse effect on the value of ZEN. Future developments that may arise with respect to digital assets may increase the uncertainty with respect to the treatment of digital assets for U.S. federal income tax purposes. For example, the Notice addresses only digital assets that are “convertible virtual currency,” and it is conceivable that, as a result of a fork, airdrop or similar occurrence, the Trust will hold certain types of digital assets that are not within the scope of the Notice.

Shareholders are urged to consult their tax advisers regarding the tax consequences of owning and disposing of Shares and digital assets in general.

Future developments regarding the treatment of digital assets for U.S. federal income tax purposes could adversely affect the value of the Shares.

As discussed above, many significant aspects of the U.S. federal income tax treatment of digital assets, such as ZEN, are uncertain, and it is unclear what guidance on the treatment of digital assets for U.S. federal income

tax purposes may be issued in the future. It is possible that any such guidance would have an adverse effect on the prices of digital assets, including on the price of ZEN in the Digital Asset Markets, and therefore may have an adverse effect on the value of the Shares.

Because of the evolving nature of digital assets, it is not possible to predict potential future developments that may arise with respect to digital assets, including forks, airdrops and similar occurrences. Such developments may increase the uncertainty with respect to the treatment of digital assets for U.S. federal income tax purposes. Moreover, 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 the treatment of digital assets for tax purposes other than U.S. federal income tax purposes could adversely affect the value of the Shares.

The taxing authorities of certain states, including New York, (i) have announced that they will follow the Notice with respect to the treatment of digital assets for state income tax purposes and/or (ii) have issued guidance exempting the purchase and/or sale of digital assets for fiat currency from state sales tax. However, it is unclear what further guidance on the treatment of digital assets for state tax purposes may be issued in the future.

The treatment of digital assets for tax purposes by non-U.S. jurisdictions may differ from the treatment of digital assets for U.S. federal, state or local tax purposes. It is possible, for example, that a non-U.S. jurisdiction would impose sales tax or value-added tax on purchases and sales of digital assets for fiat currency. If a foreign jurisdiction with a significant share of the market of ZEN users imposes onerous tax burdens on digital assets users, or imposes sales or value-added tax on purchases and sales of digital assets for fiat currency, such actions could result in decreased demand for ZEN in such jurisdiction.

Any future guidance on the treatment of digital assets for state, local or non-U.S. tax purposes could increase the expenses of the Trust and could have an adverse effect on the prices of digital assets, including on the price of ZEN in the Digital Asset Markets. As a result, any such future guidance could have an adverse effect on the value of the Shares.

A U.S. tax-exempt shareholder may recognize “unrelated business taxable income” as a consequence of an investment in Shares.

Under the guidance provided in the Ruling & FAQs, hard forks, airdrops and similar occurrences with respect to digital assets will under certain circumstances be treated as taxable events giving rise to ordinary income. In the absence of guidance to the contrary, it is possible that any such income recognized by a U.S. tax-exempt shareholder would constitute “unrelated business taxable income” (“UBTI”). A tax-exempt shareholder should consult its tax adviser regarding whether such shareholder may recognize UBTI as a consequence of an investment in Shares.

Non-U.S. Holders may be subject to U.S. federal withholding tax on income derived from forks, airdrops and similar occurrences.

The Ruling & FAQs do not address whether income recognized by a non-U.S. person as a result of a fork, airdrop or similar occurrence could be subject to the 30% withholding tax imposed on U.S.-source “fixed or determinable annual or periodical” income. Non-U.S. Holders (as defined under “Certain U.S. Federal Income Tax Consequences—Tax Consequences to Non-U.S. Holders” below) should assume that, in the absence of guidance, a withholding agent (including the Sponsor) is likely to withhold 30% of any such income recognized by a non-U.S. Holder in respect of its Shares, including by deducting such withheld amounts from proceeds that such non-U.S. Holder would otherwise be entitled to receive in connection with a distribution of Incidental Rights or IR Virtual Currency.

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 Reference Rate Provider and the Authorized Participants, 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, provided the Sponsor does not act in bad faith;
- 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 and its staff also service affiliates of the Sponsor, including several other digital asset investment vehicles, 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;
- Affiliates of the Sponsor have substantial direct investments in ZEN that they are permitted to manage taking into account their own interests without regard to the interests of the Trust or its shareholders, and any increases, decreases or other changes in such investments could affect the Reference Rate Price and, in turn, the value of the Shares;
- 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 the Trust;
- Several employees of the Sponsor and the Sponsor's parent company, Digital Currency Group, Inc. ("DCG"), are FINRA-registered representatives who maintain their licenses through Genesis;
- DCG is (i) the sole member and parent company of the Sponsor and Genesis, the only acting Authorized Participant as of the date of this Information Statement, (ii) the indirect parent company of the Reference Rate Provider, and (iii) a minority interest holder in Coinbase, which the Trust considers its principal market and which is the parent company of the Custodian, representing less than 1.0% of its equity;
- DCG has investments in a large number of digital assets and companies involved in the digital asset ecosystem, including exchanges and custodians. DCG's positions on changes that should be adopted in the Horizen Network could be adverse to positions that would benefit the Trust or its shareholders. Additionally, before or after a hard fork on the Horizen Network, DCG's position regarding which fork among a group of incompatible forks of the Horizen Network should be considered the "true" Horizen Network could be adverse to positions that would most benefit the Trust;
- DCG has been vocal in the past about its support for digital assets other than ZEN. Any investments in, or public positions taken on, digital assets other than ZEN by DCG could have an adverse impact on the price of ZEN;
- The Sponsor decides whether to retain separate counsel, accountants or others to perform services for the Trust;

- The Sponsor and Genesis, which acts as Authorized Participant and distributor and marketer for the Shares, are affiliated parties that share a common parent company, DCG;
- While the Reference Rate Provider does not currently utilize data from over-the-counter markets or derivatives platforms, it may decide to include pricing from such markets or platforms in the future, which could include Genesis; 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.

By purchasing the Shares, shareholders agree and consent to the provisions set forth in the Trust Agreement. See “Description of 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 Reference Rate Provider, the Trust and others, see “Conflicts of Interest.”

Because the Sponsor and the Trust’s sole Authorized Participant are affiliated with each other, the Trust’s Baskets will not be exchanged for ZEN in arm’s-length transactions.

The Sponsor’s parent company, DCG, is also the parent company of Genesis Global Trading, Inc., a registered broker dealer currently acting as the sole Authorized Participant, distributor and marketer for the Shares. The Trust issues Creation Baskets in exchange for deposits of ZEN. See “Description of Creation of Shares.” As the sole Authorized Participant, Genesis is currently the only entity that may place orders to create Creation Baskets. As a result, the issuance of Creation Baskets does not occur on an arm’s-length basis.

While additional Authorized Participants may be added at any time, subject to the discretion of the Sponsor, the Sponsor may be disincentivized from replacing affiliated service providers due to its affiliated status. 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 that are greater or less than the rate paid by the Trust. The Sponsor may have 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 Amount).

The Reference Rate Provider is an affiliate of the Sponsor and the Trust.

On December 31, 2020, CoinDesk, Inc., an affiliate of the Sponsor and a wholly owned subsidiary of DCG, acquired CoinDesk Indices, Inc., the Reference Rate Provider. As a result of this acquisition, the Reference Rate Provider is a wholly owned subsidiary of CoinDesk, Inc., which is a wholly owned subsidiary of DCG. The Reference Rate Provider publishes the Reference Rate and the Reference Rate Price, which are used by the Sponsor to calculate the Digital Asset Holdings of the Trust. The Sponsors Fee accrues daily in U.S. dollars at an annual rate based on the Digital Asset Holdings Fee Basis Amount, which is based on the Digital Asset Holdings of the Trust, and is paid in ZEN. The number of ZEN that accrues each day as the Sponsors Fee is determined by reference to the Reference Rate Price published by the Reference Rate Provider.

The Reference Rate Provider selects the exchanges that are included in the Reference Rate. If the Sponsor determines in good faith that the Reference Rate does not reflect an accurate ZEN price, then the Sponsor will employ an alternative method to determine the Reference Rate Price under the cascading set of rules set forth in “Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price—Determination of the Reference Rate Price When Reference Rate Price is Unavailable”. There are no predefined criteria to make a good faith assessment as to which of the rules the Sponsor will apply and the Sponsor may make this determination in its sole discretion. Because such a determination could reflect negatively upon the Reference Rate Provider, lead to a decrease in the Reference Rate Provider’s revenue or otherwise adversely affect the

Reference Rate Provider, and because of their affiliation, the Reference Rate Provider may be incentivized to resolve any questions regarding, or changes to, the manner in which the Reference Rate is constructed and in which the Reference Rate Price is calculated in a way that favors the Sponsor.

In addition, although the Reference Rate does not currently include data from over-the-counter markets or derivatives platforms, the Reference Rate Provider may decide to include pricing from such markets or platforms in the future, which could include data from Genesis. Any impact on the accuracy or perceived accuracy of the Reference Rate Price could have a negative impact on the value of the Shares.

DCG is a minority interest holder in Coinbase, Inc., the Digital Asset Exchange the Trust considers its principal market.

DCG, the sole member and parent company of the Sponsor, holds a minority interest of less than 1.0% in Coinbase, Inc., which operates Coinbase Pro. Coinbase Pro is the Digital Asset Exchange the Trust considers its principal market as of December 31, 2021.

Although DCG does not exercise control over Coinbase Pro, it is possible that investors could have concerns that DCG could influence market data provided by this Digital Asset Exchange in a way that benefits DCG, for example by artificially inflating the values of ZEN in order to increase the Sponsor's fees. This could make the Trust's Shares less attractive to investors than the shares of similar vehicles that do not present these concerns, adversely affect investor sentiment about the Trust and negatively affect Share trading prices.

DCG holds a minority interest in the parent company of the Custodian, which could lead DCG to cause the Sponsor to take actions that favor the Custodian's interests over the Trust's interests.

Coinbase, Inc. is also the parent company of the Custodian, Coinbase Custody Trust Company, LLC. The Custodian serves as a fiduciary and custodian on the Trust's behalf, and is responsible for safeguarding the ZEN and Incidental Rights and/or IR Virtual Currency held by the Trust, and holding the private keys that provide access to the Trust's digital wallets and vaults. DCG's minority interest of less than 1.0% in the parent company of the Custodian may present risks to shareholders to the extent DCG causes the Sponsor to favor the Custodian's interests over the interests of the Trust or its shareholders with respect to, for example, fees charged and the quality of service provided by the Custodian. Similarly, it is possible that investors could have concerns that DCG's interest in Coinbase, Inc. could cause it to refrain from taking actions that are in the best interests of the Trust but that could harm the Custodian. This could make the Trust's Shares less attractive to investors than the shares of similar vehicles that do not present these concerns, adversely affect investor sentiment about the Trust and negatively affect Share trading prices.

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 its ZEN.

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 asset financial vehicle, a substitute sponsor may not have the experience, knowledge or expertise required to ensure that the Trust will operate successfully or continue to operate at all. Therefore, the appointment of a substitute sponsor may not necessarily be beneficial to the Trust and the Trust may terminate. See "Conflicts of Interest—The Sponsor."

Although the Custodian is a fiduciary with respect to the Trust's assets, it could resign or be removed by the Sponsor, which would trigger early termination of the Trust.

The Custodian is a fiduciary under § 100 of the New York Banking Law and a qualified custodian for purposes of Rule 206(4)-2(d)(6) under the Investment Advisers Act of 1940, as amended, and is licensed to custody the Trust's ZEN in trust on the Trust's behalf. However, during the initial term, the Custodian may terminate the Custodian Agreement for Cause (as defined in "Description of the Custodian Agreement—Termination") at any time, and after the initial term, the Custodian can terminate the Agreement for any reason upon the notice period provided under the Custodian Agreement. If the Custodian resigns or is removed without replacement, the Trust will dissolve in accordance with the terms of the Trust Agreement.

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 was appointed to represent investors in connection with the formation of the Trust or the establishment of the terms of the Trust Agreement and the Shares. Moreover, 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 the value of the Shares. Lack of such consultation may lead to an undesirable investment decision with respect to investment in the Shares.

An affiliate of the Sponsor is a leading online news publication and data provider in the digital asset industry whose publications could influence trading prices and demand for ZEN.

Both the Sponsor and CoinDesk are subsidiaries of DCG. CoinDesk is a leading news publication and data provider, which plays a large role in aggregating, creating and disseminating news and other editorial content across the global digital asset industry. Although CoinDesk's policy is to shield its editorial operations from DCG's control, it is possible that CoinDesk's news coverage could influence trading prices and demand for digital assets, including ZEN, and it is also possible that consumers of CoinDesk content may not appreciate that CoinDesk's owner has substantial financial interests in digital assets, despite information to that effect on CoinDesk's website. As a result, some consumers of CoinDesk's content may place greater weight on such content than they would if they were aware of DCG's ownership stake, and this could cause the trading prices of digital assets, including ZEN, to be higher than they would be otherwise.

OVERVIEW OF HORIZEN

Introduction to ZEN and the Horizen Network

Zen, or ZEN, is a digital asset that is created and transmitted through the operations of the peer-to-peer Horizen Network, a decentralized network of computers that operates on cryptographic protocols. No single entity owns or operates the Horizen Network, the infrastructure of which is collectively maintained by a decentralized user base. The Horizen Network allows people to exchange tokens of value, called ZEN, which are recorded on a public transaction ledger known as a blockchain. ZEN can be used to pay for goods and services on the Horizen Network, or it can be converted to fiat currencies, such as the U.S. dollar, at rates determined on Digital Asset Exchanges or in individual end-user-to-end-user transactions under a barter system.

The Horizen Network is one of a number of projects intended to enhance blockchain technology. One of the Horizen Network's primary enhancements of the blockchain was to add additional layers of confidentiality to traditional blockchain infrastructure so that users can make transactions and selectively disclose details related to those transactions. ZEN accomplishes this level of confidentiality by using novel cryptographic zk-SNARKs to protect both the amount and the sender and recipient of the transaction. The result is a confidential transaction known as a "shielded" transaction.

The Horizen Network was launched on May 23, 2017 as "ZenCash" by a team of scientists, cryptographers, engineers and advisers of the Horizen Blockchain Foundation (the "Foundation"), bringing into existence the first ZEN tokens. In this role, the Foundation supports the development of ZEN by, among other things, reviewing and implementing upgrades that become part of the main implementation of ZEN. The Horizen Network is based on the Zclassic protocol, which in turn is based on the Zcash protocol, which in turn is based on the Bitcoin protocol, the first and most widely used blockchain protocol. The Zcash protocol was built as a clone of the Bitcoin protocol that the creators could iterate on to become the first digital asset protocol to introduce zk-SNARKs. The Zclassic protocol was a fork of the Zcash protocol that changed key economic and governance parameters, including removing a 20% block reward that is distributed to a group of Zcash founders, investors, employees and advisers as a "founders reward" for the first four years of the Zcash network's operation. The ZEN protocol further forked the Zclassic protocol to develop a fully encrypted privacy platform with additional changes to the economic, governance and technical parameters of the network.

The creators of Horizen realized that zk-SNARKs had wider applications beyond the privacy-preserving financial transactions, such as privacy-preserving messaging and publishing. To expand upon their vision, the project has developed into a general-purpose blockchain platform that is integrated with a privacy-preserving digital asset network. As a result, today the Horizen Network is comprised of two core blockchain layers: (1) the main Horizen Blockchain, which serves as the base layer for a simple Peer-2-Peer (P2P) digital asset protocol and (2) parallel blockchains (each a "Sidechain" and collectively, "Sidechains"), which provide for additional functionality and blockchain application features. In this sense, Horizen is a "blockchain-of-blockchains." Both the Horizen Blockchain and Sidechains share a common digital assets, ZEN. On the Horizen Blockchain, ZEN can be used a P2P digital assets, like Bitcoin and Zcash, and on the Sidechains, ZEN can be used to fuel decentralized applications (dApps) and smart contracts, like Ethereum. With all of these functionalities, the Horizen Network seeks to create a high-performing, privacy-oriented platform for money, media and messaging.

While ZEN's monetary base will be 21 million, the same as the monetary base of Bitcoin and Zcash, and while the rate of ZEN creation will similarly halve every four years, there are some important differences in how ZEN is mined and distributed. For example, of the 6.25 ZEN created every 2.5 minutes, the block reward is distributed such that 60% is distributed to miners, 10% to Secure Nodes, 10% to Super Nodes and 20% to the Foundation. See "—Creation of New ZEN" and "—Market Participants" below for more information. Like Zcash, ZEN also implemented a memory-hard proof-of-work algorithm, Equihash, which involves adding a memory-hard problem to be solved in valid blocks, which is intended to result in less centralized hash power.

The Horizen Network is decentralized and does not require governmental, financial institution intermediaries or others, including the Foundation, to create, transmit or determine the value of ZEN. Rather,

ZEN is created and allocated by the Horizen Network protocol through a “mining” process. Although the Foundation does not control the Horizen Network, it monitors the development of the Horizen Network and offers updates to the ZEN protocol which the public may choose to implement or ignore. The Foundation does not sell, exchange, transmit or retain custody of ZEN for consumers or the public at large. The value of ZEN is determined by the supply of demand for ZEN on the Digital Asset Exchanges or in private end-user-to-end-user transactions.

Similar to the Bitcoin network and the Zcash network, the Horizen Network operates on a proof-of-work model. New ZEN are created and rewarded to the miners of a block in the Horizen Blockchain for verifying transactions. The Horizen Blockchain is effectively a decentralized database that includes all blocks that have been solved by miners and it is updated to include new blocks as they are solved. Each ZEN transaction is broadcast to the Horizen Network and, when included in a block, recorded in the Horizen Blockchain. As each new block records outstanding ZEN transactions, and outstanding transactions are settled and validated through such recording, the Horizen Blockchain represents a complete, transparent and unbroken history of all transactions of the Horizen Network. For further details, see “—Creation of New ZEN.”

Similar to Bitcoin and Zcash, ZEN can be used to pay for goods and services or can be converted to fiat currencies, such as the U.S. dollar, at rates determined on digital asset exchanges or in individual end-user-to-end-user transactions under a barter system. Additionally, ZEN is used to pay for transaction fees to miners for verifying transactions on the Horizen Network.

Overview of the Horizen Network’s Operations

In order to own, transfer or use ZEN directly on the Horizen Network (as opposed to through an intermediary, such as a custodian), a person generally must have internet access to connect to the Horizen Network. ZEN transactions may be made directly between end-users without the need for a third-party intermediary. To prevent the possibility of double-spending ZEN, a user must notify the Horizen Network of the transaction by broadcasting certain transaction data to its network peers. The Horizen Network provides confirmation against double-spending by memorializing transactions in the Horizen Blockchain, in the case of public transactions, or through zk-SNARK zero-knowledge proofs in the case of private transactions. This memorialization and verification against double-spending is accomplished through the Horizen Network mining process, which adds “blocks” of data, including certain transaction information, to the Horizen Blockchain. Although the Horizen Network is publicly accessible, it does not, by design, have the same level of transparency as the Bitcoin blockchain.

Brief Description of ZEN Transfers

There are two types of transactions that can occur on the Horizen Network: (1) transparent transactions, which are very similar to the transactions that take place on other blockchains, such as the Bitcoin network and the Ethereum network and (2) shielded transactions.

Prior to engaging in transparent ZEN transactions directly on the Horizen Network, a user generally must first install on its computer or mobile device a Horizen Network software program that will allow the user to generate a private and public key pair associated with a ZEN address, commonly referred to as a “wallet.” The Horizen Network software program and the ZEN address also enable the user to connect to the Horizen Network and transfer ZEN to, and receive ZEN from, other users.

Each Horizen Network address, or wallet, is associated with a unique “public key” and “private key” pair. To receive ZEN, the ZEN recipient must provide its public key to the party initiating the transfer. This activity is analogous to a recipient for a transaction in U.S. dollars providing a routing address in wire instructions to the payor so that cash may be wired to the recipient’s account. The payor approves the transfer to the address provided by the recipient by “signing” a transaction that consists of the recipient’s public key with the private

key of the address from where the payor is transferring the ZEN. The recipient, however, does not make public or provide to the sender its related private key.

Neither the recipient nor the sender reveal their private keys in a transaction, because the private key authorizes 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 ZEN contained in the associated address. Likewise, ZEN is irretrievably lost if the private key associated with them is deleted and no backup has been made. When sending ZEN, a user's Horizen Network software program must validate the transaction with the associated private key. In addition, since every computation on the Horizen Network requires processing power, there is a transaction fee involved with the transfer that is paid by the payor. The resulting digitally validated transaction is sent by the user's Horizen Network software program to the Horizen Network miners to allow transaction confirmation.

Horizen Network miners record and confirm transactions when they mine and add blocks of information to the Horizen Blockchain. When a miner mines a block, it creates that block, which includes data relating to (i) the satisfaction of the consensus mechanism to mine the block, (ii) a reference to the prior block in the Horizen Blockchain to which the new block is being added and (iii) transactions that have submitted to the Horizen Network but have not yet been added to the Horizen 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 Horizen Blockchain, the Horizen Network software program of both the spending party and the receiving party will show confirmation of the transaction on the Horizen Blockchain and reflect an adjustment to the ZEN balance in each party's Horizen Network public key, completing the ZEN transaction. Once a transaction is confirmed on the Horizen Blockchain, it is irreversible.

Shielded transactions utilize a scientific breakthrough in the field of cryptography known as "zero-knowledge proofs." Zero-knowledge proofs allow users to prove knowledge of some facts about hidden information without revealing that information by encrypting certain aspects of the transaction. Ordinarily, if a blockchain's transaction data is encrypted, nodes in the blockchain cannot determine whether senders really held the tokens they sent, whether they previously sent it to someone else or whether they never had it in the first place. The encrypted data becomes unverifiable by network nodes.

With ZEN, a particular type of zero-knowledge proof called zk-SNARKs solves this problem. In a ZEN shielded transaction, the sender provides a string of data that makes up the "zero-knowledge proof" and encrypted transaction data, which proves properties of the encrypted data cryptographically, including that the sender could not have generated a specific string unless the sender had ownership over the private key and unless the input and output values were equal. The proof also guarantees creation of a unique nullifier which is used to mark tokens as spent, when they are, in fact spent. In other words, zero-knowledge proofs allow verifiability without compromising confidentiality.

Some ZEN transactions are conducted "off-blockchain" and are therefore not recorded in the Horizen Blockchain. Some "off-blockchain transactions" involve the transfer of control over, or ownership of, a specific digital wallet holding ZEN or the reallocation of ownership of certain ZEN in a pooled-ownership digital wallet, such as a digital wallet owned by a Digital Asset Exchange. In contrast to on-blockchain transactions, which are publicly recorded on the Horizen Blockchain, information and data regarding off-blockchain transactions are generally not publicly available. Therefore, off-blockchain transactions are not truly ZEN transactions in that they do not involve the transfer of transaction data on the Horizen Network and do not reflect a movement of ZEN between addresses recorded in the Horizen Blockchain. For these reasons, off-blockchain transactions are subject to risks as any such transfer of ZEN ownership is not protected by the protocol behind the Horizen Network or recorded in, and validated through, the blockchain mechanism.

Creation of New ZEN

Initial Creation of ZEN

The initial creation of ZEN as part of the first Horizen Network block, or genesis block, was conducted on May 23, 2017. All additional ZEN have been, and will be, created through the mining process.

Mining Process

The Horizen Network is kept running by computers all over the world. In order to incentivize those who incur the computational costs of 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 2.5 minutes, on average, a new block is added to the Horizen Blockchain with the latest transactions processed by the network and the computer that generated this block will be awarded 6.25 newly minted ZEN. Due to the nature of the algorithm for block generation, this process (generating a “proof-of-work”) is guaranteed to be random. Over time rewards are expected to be proportionate to the computational power of each machine.

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

To begin mining, a user can download and run Horizen Network mining software, which turns the user’s computer into a “node” on the Horizen 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 ZEN to the miner who added the new block. Each unique block can be solved and added to the Horizen Blockchain by only one miner or mining pool. Therefore, all individual miners and mining pools on the Horizen 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 Horizen Network and its processing power increases, the Horizen Network adjusts the complexity of the block-solving equation to maintain a predetermined pace of adding a new block to the Horizen Blockchain approximately every 2.5 minutes. A miner’s proposed block is added to the Horizen Blockchain once a majority of the nodes on the Horizen Network confirms the miner’s work. Miners that are successful in adding a block to the Horizen Blockchain are automatically awarded ZEN 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 ZEN enter into circulation to the public.

Staking Process

The Horizen Network also relies on a proof-of-stake algorithm for certain functionalities. Under a proof-of-stake ecosystem, the miner, known as a validator, locks up an amount of his or her coins to verify a block of transactions in a process that requires less computing power and electricity. Validators can participate in block production by posting a security deposit, or bond. After posting a bond, one may bet on which block will be included next. Validators make money by betting with the eventual consensus and lose money by betting against the consensus. Any cryptographically-provable misbehavior results in the forfeiture of the bond. Moreover, an honest validator is expected to have very low costs, compared to the costs an attacker would incur. On the Horizen Network, Secure Nodes and Super Nodes stake their coins. See “—Market Participants” below for more information.

Limits on ZEN Supply

The Horizen Network is structured to allow a maximum of 21 million ZEN to be created, which are mined over time with the creation of each new block. Since inception, 12.5 ZEN have been created every 2.5 minutes on average. Of each block of newly created ZEN, 60% is distributed to miners, 10% is distributed to Secure Nodes,

10% is distributed to Super Nodes and 20% is distributed to the Foundation. Every four years, the rate of ZEN being created will halve, just as it does for Bitcoin. Thus, in December 2020, the reward halved to 6.25 ZEN for every block.

As of December 31, 2021, approximately 11.9 million ZEN were outstanding, and estimates of when the 21 million ZEN limitation will be reached range from at or near the year 2051.

Modifications to the ZEN Protocol

The Horizen Network is an open source project with no official developer or group of developers that controls it. However, historically the Horizen Network's development has been overseen by the Foundation. The Foundation is able to access and alter the Horizen Network source code and, as a result, they are responsible for quasi-official releases of updates and other changes to the Horizen Network's source code.

For example, in June 2018, the Foundation implemented an upgrade to make it more computationally and economically expensive to privately mine blocks and later introduce those blocks to the public Horizen Network as the valid Horizen Blockchain. The purpose of this upgrade was to significantly increase the difficulty of 51% attacks through delayed block submissions. Because ZEN was based on Zcash, it may also benefit from improvements to the Zcash as well.

The release of updates to the Horizen Network's source code does not guarantee that the updates will be automatically adopted. Users and miners must accept any changes made to the Horizen Network source code by downloading the proposed modification of the Horizen Network's source code. A modification of the Horizen Network's source code is only effective with respect to the ZEN users and miners that download it. If a modification is accepted only by a percentage of users and miners, a division in the Horizen 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—Risk Factors Related to Digital Assets—A temporary or permanent "fork" could adversely affect the value of the Shares" in the Base Memorandum. Consequently, as a practical matter, a modification to the source code becomes part of the Horizen Network only if accepted by participants collectively having a majority of the processing power on the Horizen Network.

Core development of the Horizen Network source code has increasingly focused on modifications of the Horizen Network protocol to increase speed and scalability and also allow for non-financial, next generation uses on Sidechains. Because the Trust only holds ZEN, it will not take advantage of such Sidechains. However, because such projects may utilize ZEN as tokens for the facilitation of their non-financial uses, they may increase demand for ZEN and the utility of the Horizen Network as a whole. Conversely, projects that operate and are built within the Horizen Blockchain may increase the data flow on the Horizen Network and could either "bloat" the size of the Horizen Blockchain or slow confirmation times. At this time, such projects remain in early stages and have not been materially integrated into the Horizen Blockchain or Horizen Network.

ZEN Value

Digital Asset Exchange Valuation

The value of ZEN is determined by the value that various market participants place on ZEN through their transactions. The most common means of determining the value of a ZEN is by surveying one or more Digital Asset Exchanges where ZEN is traded publicly and transparently (e.g., Binance.US and Bittrex). Additionally, there are over-the-counter dealers or market makers that transact in ZEN.

Digital Asset Exchange Public Market Data

On each online Digital Asset Exchange, ZEN 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. Over-the-counter dealers or market makers do not typically disclose their trade data.

As of December 31, 2021, the Digital Asset Exchanges included in the Reference Rate and used to determine the Reference Rate Price are Binance.US and Bittrex.

Binance.US: A U.S.-based exchange registered as a money services business (“MSB”) with FinCen and licensed as money transmitter in various U.S. states. Binance.US does not hold a BitLicense.

Bittrex: A U.S.-based exchange registered as an MSB with FinCen and licensed as money transmitter in various U.S. states. Bittrex does not hold a BitLicense.

Currently, there are several Digital Asset Exchanges operating worldwide and online Digital Asset Exchanges represent a substantial percentage of ZEN buying and selling activity and provide the most data with respect to prevailing valuations of ZEN. These exchanges include established exchanges such as exchanges included in the Reference Rate which provide a number of options for buying and selling ZEN. The below table reflects the trading volume in ZEN and market share of the ZEN-U.S. dollar and ZEN-BTC trading pairs of each of the Digital Asset Exchanges considered when determining the Reference Rate Price as of December 31, 2021, using data reported by the Reference Rate Provider:

ZEN Exchanges included in the Reference Rate as of December 31, 2021	Volume (ZEN)	Market Share⁽¹⁾⁽²⁾
Binance.US	4,022,969	47.72%
Bittrex	2,072,336	24.58%
Total ZEN-USD trading pair	6,095,305	72.30%

- (1) On March 16, 2021, the Reference Rate Provider added Binance.US (ZEN/USD) as part of its scheduled quarterly review. On April 1, 2022, the Reference Rate Provider added Coinbase Pro to the Reference Rate as part of its scheduled quarterly review.
- (2) Market share is calculated using trading volume (in ZEN) provided by the Reference Rate Provider for certain Digital Asset Exchanges including, Bittrex and Binance.US, as well as certain other large U.S.-dollar denominated Digital Asset Exchanges that are not currently included in the Reference Rate, including Coinbase Pro (data included from September 15, 2021).

The domicile, regulation and legal compliance of the Digital Asset Exchanges included in the Reference Rate varies. Information regarding each Digital Asset Exchange may be found, where available, on the websites for such Digital Asset Exchanges, among other places.

Although the Reference Rate is designed to accurately capture the market price of ZEN, third parties may be able to purchase and sell ZEN on public or private markets not included among the constituent Digital Asset Exchanges of the Reference Rate, and such transactions may take place at prices materially higher or lower than the Reference Rate Price. Moreover, there may be variances in the prices of ZEN on the various Digital Asset Exchanges, including as a result of differences in fee structures or administrative procedures on different Digital Asset Exchanges. For example, based on data provided by the Reference Rate Provider, on any given day during the twelve months ended December 31, 2021, the maximum differential between the 4:00 p.m., New York time spot price of any single Digital Asset Exchange included in the Reference Rate and Reference Rate Price was 20.81% and the average of the maximum differentials of the 4:00 p.m., New York time spot price of each Digital Asset Exchange included in the Reference Rate and the Reference Rate Price was 20.72%. During this same period, the average differential between the 4:00 p.m., New York time spot prices of all the Digital Asset Exchanges included in the Reference Rate and Reference Rate Price was 0.45%. All Digital Asset Exchanges that were included in the Reference Rate throughout the period were considered in this analysis. To the extent such prices differ materially from the Reference Rate Price, investors may lose confidence in the Shares’ ability to track the market price of ZEN.

The Reference Rate and the Reference Rate Price

The Reference Rate is a U.S. dollar-denominated composite reference rate for the price of ZEN. The Reference Rate is designed to provide a semi real-time, volume-weighted value of ZEN.

The Reference Rate Price is determined by the Reference Rate Provider through a process in which trade data from the Digital Asset Exchanges included in the Reference Rate is compiled to calculate a volume-weighted average price.

Determination of the Reference Rate Price

The Reference Rate Price is a volume-weighted average price in U.S. dollars for ZEN for the immediately preceding 24-hour period derived from data collected from Digital Asset Exchanges trading ZEN selected by the Reference Rate Provider.

If the Reference Rate Price becomes unavailable, or if the Sponsor determines in good faith that such Reference Rate Price does not reflect an accurate price for ZEN, then the Sponsor will, on a best efforts basis, contact the Reference Rate Provider to obtain the Reference Rate Price directly from the Reference Rate Provider. If after such contact such Reference Rate Price remains unavailable or the Sponsor continues to believe in good faith that such Reference Rate Price does not reflect an accurate price for the relevant digital asset, then the Sponsor will employ a cascading set of rules to determine the Reference Rate Price, as described below in “—Determination of the Reference Rate Price When Reference Rate Price is Unavailable.”

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

Constituent Exchange Selection

The Digital Asset Exchanges that are included in the Reference Rate are selected by the Reference Rate Provider utilizing a methodology that is guided by the International Organization of Securities Commissions (“IOSCO”) principles for financial benchmarks. For an exchange to become a Constituent Exchange, it must satisfy the criteria listed below (the “Inclusion Criteria”):

- Sufficient liquidity;
- Appropriate trading opportunities;
- Real-time price discovery;
- Limited or no capital controls;
- Transparent ownership; and
- Applicable legal and regulatory compliance
- Must be a US-domiciled exchange or a non-US domiciled exchange that is able to service US investors;
- Must offer programmatic spot trading of the trading pair;
- Reliably publish trade prices and volumes on a real-time basis through APIs;
- No undisclosed restrictions on deposits or withdrawals from user accounts;
- Must have a publicly known ownership entity;
- Compliance with applicable U.S. federal and state licensing requirements and practices regarding anti-money laundering (“AML”) and know-your-customer (“KYC”) regulations and other policies designed to comply with relevant regulations that might apply to it, or its users based on relevant jurisdiction.

A Digital Asset Exchange is removed from the Constituent Exchanges when it no longer satisfies the Inclusion Criteria. The Reference Rate Provider does not currently include data from over-the-counter markets or derivatives platforms among the Constituent Exchanges. Over-the-counter data is not currently included because of the potential for trades to include a significant premium or discount paid for larger liquidity, which creates an uneven comparison relative to more active markets. There is also a higher potential for over-the-counter transactions to not be arms-length, and thus not be representative of a true market price. ZEN derivative markets are also not currently included as the markets remain relatively thin. While the Reference Rate Provider has no plans to include data from over-the-counter markets or derivative platforms at this time, the Reference Rate Provider will consider IOSCO principles for financial benchmarks, the management of trading venues of ZEN derivatives and the aforementioned Inclusion Criteria when considering whether to include over-the-counter or derivative platform data in the future.

The Reference Rate Provider and the Sponsor have entered into a reference rate license agreement, dated as of February 1, 2022 (the “Reference Rate License Agreement”), governing the Sponsor’s use of the Reference Rate Price. In connection with the entry into the Reference Rate License Agreement, the Sponsor and the Reference Rate Provider terminated that certain license agreement, dated as of February 28, 2019, between the Sponsor and the Index Provider. Pursuant to the terms of the Reference Rate License Agreement, the Reference Rate Provider may adjust the calculation methodology for the Reference Rate Price without notice to, or consent of, the Trust or its shareholders. The Reference Rate Provider has sole discretion over the determination of Reference Rate Price and may change the methodologies for determining the Reference Rate Price from time to time.

The Reference Rate Provider may change the trading venues that are used to calculate the Reference Rate or otherwise change the way in which the Reference Rate is calculated at any time. For example, the Reference Rate Provider has scheduled quarterly reviews in which it may add or remove Constituent Exchanges that satisfy or fail the criteria described above. The Reference Rate 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.

Determination of the Reference Rate Price When Reference Rate Price is Unavailable

The Sponsor will use the following cascading set of rules to calculate the Reference Rate 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. Reference Rate Price = The price set by the Reference Rate Provider as of 4:00 p.m., New York time, on the valuation date. If the Reference Rate becomes unavailable, or if the Sponsor determines in good faith that the Reference Rate does not reflect an accurate price, then the Sponsor will, on a best efforts basis, contact the Reference Rate Provider to obtain the Reference Rate Price directly from the Reference Rate Provider. If after such contact the Reference Rate remains unavailable or the Sponsor continues to believe in good faith that the Reference Rate Price does not reflect an accurate price, then the Sponsor will employ the next rule to determine the Reference Rate Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.
2. Reference Rate Price = The price set by Coin Metrics Real-Time Rate (the “Secondary Reference Rate”) as of 4:00 p.m., New York time, on the valuation date (the “Secondary Reference Rate Price”). The Secondary Reference Rate Price is a real-time reference rate price, calculated using trade data from constituent markets selected by Coin Metrics (the “Secondary Reference Rate Provider”). The Secondary Reference Rate Price is calculated by applying weighted-median techniques to such trade data where half the weight is derived from the trading volume on each constituent market and half is derived from inverse price variance, where a constituent market with high price variance as a result of outliers or market anomalies compared to other constituent markets is assigned a smaller weight. If the Secondary Reference Rate becomes unavailable, or if the Sponsor determines in good faith that the Secondary Reference Rate does not reflect an accurate price, then the Sponsor will, on a best efforts

basis, contact the Secondary Reference Rate Provider to obtain the Secondary Reference Rate Price directly from the Secondary Reference Rate Provider. If after such contact the Secondary Reference Rate remains unavailable or the Sponsor continues to believe in good faith that the Secondary Reference Rate does not reflect an accurate price, then the Sponsor will employ the next rule to determine the Reference Rate Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.

3. Reference Rate Price = The price set by the Trust's principal market (the "Tertiary Pricing Option") as of 4:00 p.m., New York time, on the valuation date. The Tertiary Pricing Option is a spot price derived from the principal market's public data feed that is believed to be consistently publishing pricing information as of 4:00 p.m., New York time, and is provided to the Sponsor via an application programming interface. If the Tertiary Pricing Option becomes unavailable, or if the Sponsor determines in good faith that the Tertiary Pricing Option does not reflect an accurate price, then the Sponsor will, on a best efforts basis, contact the Tertiary Pricing Provider to obtain the Tertiary Pricing Option directly from the Tertiary Pricing Provider. If after such contact the Tertiary Pricing Option remains unavailable after such contact or the Sponsor continues to believe in good faith that the Tertiary Pricing Option does not reflect an accurate price, then the Sponsor will employ the next rule to determine the Reference Rate Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.
4. Reference Rate Price = The Sponsor will use its best judgment to determine a good faith estimate of the Reference Rate Price. There are no predefined criteria to make a good faith assessment and it will be made by the Sponsor in its sole discretion.

In the event of a fork, the Reference Rate Provider may calculate the Reference Rate 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 reference rate provider or calculate the Reference Rate Price itself using its best judgment.

Forms of Attack Against the Horizen Network

All networked systems are vulnerable to various kinds of attacks. As with any computer network, the Horizen Network contains certain flaws. For example, the Horizen Network is currently vulnerable to a "51% attack" where, if a mining pool were to gain control of more than 50% of the hash rate for a digital asset, a malicious actor would be able to gain full control of the network and the ability to manipulate the Horizen Blockchain. On June 2, 2018, the Horizen Network was the target of a double-spend attack by an unknown actor that gained more than 50% of the processing power of the Horizen Network. The attack was the result of delayed submission of blocks to the Horizen Network. The team behind the ZEN has since begun to implement mitigation procedures to significantly increase the difficulty of attacks of this nature by introducing a penalty for delayed block submissions. The result is that it will become more computationally and economically expensive to privately mine blocks and later introduce those blocks to the public Horizen Network as the valid Horizen Blockchain.

In addition, many digital asset networks have been subjected to a number of denial of service attacks, which has led to temporary delays in block creation and in the transfer of digital assets. Any similar attacks on the Horizen Network that impact the ability to transfer ZEN could have a material adverse effect on the price of ZEN and the value of the Shares.

Because ZEN is a privacy-preserving digital asset, it is also subject to certain types of attacks that may go undetected. For example, on February 5, 2019, the team behind Zcash, another zk-SNARKs-based protocol, announced that it discovered a vulnerability in zk-SNARKs that also existed on the Horizen Network and was subsequently patched on the Horizen Network in connection with a protocol upgrade in November 2018. The vulnerability was a counterfeiting vulnerability that could have allowed an attacker to create fake ZEN on the

Horizen Network without being detected. Although the privacy features prevent one from being certain no ZEN were counterfeited, the team behind Horizen found no evidence that counterfeiting occurred prior to the patch and believes the vulnerability has been fully remediated.

Market Participants

Miners

Miners range from ZEN 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 (in the case of proof-of-work) or stake coins (in the case of proof-of-stake). When a pool solves a new block, the pool operator receives the ZEN 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, ZEN payouts. See “—Creation of New ZEN” above.

Nodes

As with the Bitcoin, Ethereum and Zcash networks, the Horizen Network is permissionless and therefore there are no restrictions on downloading and using the Horizen code to run a node. However, in addition to these “Regular Nodes”, the Horizen Network also has two other types of nodes, called “Secure Nodes” and “Super Nodes”. Nodes on the Horizen Network differ in terms of the functionality they provide to the Horizen Network as well as required specifications to ensure they can provide such functionality. By requiring nodes to maintain a basic standard of security and performance, the Horizen Network becomes more distributed, resilient, and secure. Any user who runs a node on the Horizen Network will be a Regular Node by default.

Regular Nodes: Regular Nodes are responsible for helping the Horizen Network run efficiently and remain resilient to attack by maintaining a full copy of the Horizen Blockchain.

Secure Nodes: Secure Nodes perform the same function as Regular Nodes and additionally ensure all network communications between nodes are encrypted. This adds an additional layer of privacy-preservation at the application layer (as opposed to protocol layer) that is not present in Zcash. In order to run a Secure Node, the node operator has certain security, staking, minimum processor, minimum memory and daily uptime requirements. As an economic incentive for running a Secure Node, the node operator receives 10% of the newly recreated ZEN that is mined in each new block on the Horizen Blockchain. Secure Node operators do not need a minimum ZEN balance to operate the node.

Super Nodes: Super Nodes perform the same functions as Secure Nodes and additionally support the Sidechains. In order to run a Super Node, the node operator has certain security, staking, processor, memory, storage and daily uptime requirements that are greater than Secure Nodes. As an economic incentive for running a Secure Node, the node operator receives 10% of the newly recreated ZEN that is mined in each new block on the Horizen Blockchain. Super Nodes require the operator to stake a minimum of 500 ZEN.

For the avoidance of doubt, the Trust is not a Regular Node, a Secure Node or a Super Node and has no intention of setting up its own Secure Node or Super Node to take advantage of the block rewards provided to these nodes at this time.

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. Currently, there is relatively limited use of digital assets in the retail and commercial marketplace in comparison to relatively extensive use by speculators, and a significant portion of demand for digital assets is generated by speculators and investors seeking to profit from the short- or long-term holding of digital assets.

Retail Sector

The retail sector includes users transacting in direct peer-to-peer ZEN transactions through the direct sending of ZEN over the Horizen 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 ZEN as a means of payment is still developing and has not been accepted in the same manner as Bitcoin due to ZEN's relative infancy.

While the use of Bitcoin to purchase goods and services from commercial or service business is developing, ZEN has not yet been accepted in the same manner due to its infancy and because ZEN 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 ZEN. For example, Binance, Bittrex, Upbit and OKEX are some of the largest Digital Asset Exchanges by volume traded. Coinbase Custody Trust Company, LLC, the Custodian for the Trust, is a digital asset custodian that provides custodial accounts that store ZEN for users. As the Horizen 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 Horizen Network.

Competition

More than 16,000 other digital assets, as tracked by CoinMarketCap.com as of December 31, 2021, 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 ZEN has enjoyed some success in its limited history, the aggregate value of outstanding ZEN is much smaller than that of Bitcoin and may be eclipsed by the more rapid development of other digital assets. In particular, Monero, Dash and Zcash are three privacy-enabling digital assets that are direct competitors to ZEN. Usage by any other digital asset network of these features could cause them to gain greater or more rapid acceptance than the Horizen Network.

Government Oversight

As digital assets 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 the operations of digital asset networks, digital asset users and the Digital Asset Exchange Market, with particular focus on the extent to which digital assets 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 hold digital assets for users. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by digital assets to investors. President Biden's March 9, 2022 Executive Order, asserting that technological advances and the rapid growth of the digital asset markets "necessitate an evaluation and alignment of the United States Government approach to digital assets," signals an ongoing focus on digital asset policy and regulation in the United States. In addition, federal and state agencies, and other countries have issued rules or guidance about the treatment of digital asset transactions or requirements for businesses engaged in digital asset activity.

In addition, the SEC, U.S. state securities regulators and several foreign governments have issued warnings that digital assets sold in initial coin offerings may be classified as securities and that both those digital assets and initial coin offerings may be subject to securities regulations. 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. Additionally, U.S. state and federal, and foreign regulators and legislatures have taken action against virtual currency businesses or enacted restrictive regimes in response to adverse publicity arising from hacks, consumer harm, or criminal activity stemming from virtual currency activity.

In August 2021, the chairman of the SEC stated that he believed investors using digital asset trading platforms are not adequately protected, and that activities on the platforms can implicate the securities laws, commodities laws and banking laws, raising a number of issues related to protecting investors and consumers, guarding against illicit activity, and ensuring financial stability. The chairman expressed a need for the SEC to have additional authorities to prevent transactions, products, and platforms from “falling between regulatory cracks,” as well as for more resources to protect investors in “this growing and volatile sector.” The chairman called for federal legislation centering on digital asset trading, lending, and decentralized finance platforms, seeking “additional plenary authority” to write rules for digital asset trading and lending. See “Risk Factors—Risk Factors Related to the Regulation of the Trust and the Shares—Regulatory changes or actions by the U.S. Congress or any U.S. federal or state agencies may affect the value of the Shares or restrict the use of ZEN, mining activity or the operation of the Horizen Network or the Digital Asset Markets in a manner that adversely affects the value of the Shares,” “—A determination that ZEN or any other digital asset is a “security” may adversely affect the value of ZEN and the value of the Shares, and result in potentially extraordinary, nonrecurring expenses to, or termination of, the Trust” and “—Changes in SEC policy could adversely impact the value of the Shares.”

Various foreign jurisdictions have, and may continue to, in the near future, adopt laws, regulations or directives that affect a digital asset network, the Digital Asset Markets, and their users, particularly Digital Asset Exchanges and service providers that fall within such jurisdictions’ regulatory scope. For example:

- China has made transacting in cryptocurrencies illegal for Chinese citizens in mainland China, and additional restrictions may follow. China has banned initial coin offerings and there have been reports that Chinese regulators have taken action to shut down a number of China-based Digital Asset Exchanges. In May 2021, the Chinese government announced renewed efforts to restrict cryptocurrency trading and mining activities, citing concerns about high energy consumption and its desire to promote financial stability. Regulators in the Inner Mongolia and other regions of China have proposed regulations that would create penalties for companies engaged in cryptocurrency mining activities and introduce heightened energy saving requirements on industrial parks, data centers and power plants providing electricity to cryptocurrency miners. In January 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.”
- South Korea determined to amend its Financial Information Act in March 2020 to require virtual asset service providers to register and comply with its AML and counter-terrorism funding framework. These measures also provide the government with the authority to close Digital Asset Exchanges that do not comply with specified processes. South Korea has also banned initial coin offerings.
- The Reserve Bank of India in April 2018 banned the entities it regulates from providing services to any individuals or business entities dealing with or settling digital assets. In March 2020, this ban was overturned in the Indian Supreme Court, although the Reserve Bank of India is currently challenging this ruling.
- The United Kingdom’s Financial Conduct Authority published final rules in October 2020 banning the sale of derivatives and exchange traded notes that reference certain types of digital assets, contending that they are “ill-suited” to retail investors citing extreme volatility, valuation challenges and association with financial crime.

There remains significant uncertainty regarding foreign governments’ future actions with respect to the regulation of digital assets and Digital Asset Exchanges. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of ZEN by users, merchants and service

providers outside the United States and may therefore impede the growth or sustainability of the ZEN economy in the United States and globally, or otherwise negatively affect the value of ZEN held by the Trust. The effect of any future regulatory change on the Trust or the ZEN held by the Trust is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Shares.

See “Risk Factors—Risk Factors Related to the Regulation of the Trust and the Shares—Regulatory changes or actions by the U.S. Congress or any U.S. federal or state agencies may affect the value of the Shares or restrict the use of ZEN, mining activity or the operation of the Horizen Network or the Digital Asset Markets in a manner that adversely affects the value of the Shares.”

Not a Regulated Commodity Pool

The Trust is not a registered 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 trade, buy, sell or hold ZEN derivatives, including ZEN futures contracts, on any futures exchange. The Trust is authorized solely to take immediate delivery of actual ZEN. 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 ZEN derivatives, including ZEN 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 ZEN futures contracts on regulated futures exchanges.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 Information Statement, which have been prepared in accordance with GAAP. The following discussion may contain forward-looking statements based on assumptions we believe to be reasonable. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Information Statement, particularly in "Risk Factors" and "Forward-Looking Statements."

Trust 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 ZEN and, from time to time on a periodic basis, issues Creation Baskets in exchange for deposits of ZEN. As a passive investment vehicle, the Trust's investment objective is for the value of the Shares (based on ZEN per Share) to reflect the value of ZEN held by the Trust, determined by reference to the Reference Rate Price, less the Trust's expenses and other liabilities. While an investment in the Shares is not a direct investment in ZEN, the Shares are designed to provide investors with a cost-effective and convenient way to gain investment exposure to ZEN. The Trust is not managed like a business corporation or an active investment vehicle. As of December 31, 2021 and September 30, 2021, the Trust had unlimited Shares authorized and 6,838,000 Shares issued and outstanding. On October 7, 2021, the Trust completed a 10-for-1 Share split (the "Share Split") of the Trust's issued and outstanding Shares. Each Shareholder of record as of the close of business on October 6, 2021 received 9 additional Shares of the Trust for each Share held. The number of outstanding Shares and per-Share amounts disclosed for all periods presented have been retroactively adjusted to reflect the effects of the Share Split.

	As of December 31, 2021	As of September 30, 2021
Number of Shares authorized	Unlimited	Unlimited
Number of Shares outstanding⁽¹⁾	6,838,000	6,838,000
Number of Shares freely tradable⁽²⁾	2,278,447	0
Number of beneficial holders owning at least 100 Shares⁽³⁾	45	64
Number of holders of record⁽³⁾	45	64

- (1) Share amounts have been retroactively adjusted to reflect the 10-for-1 Share Split of the Trust's issued and outstanding Shares completed on October 7, 2021.
- (2) Includes the total number of Shares that are not restricted securities as such term is defined under Rule 144.
- (3) Includes Cede & Co. as nominee for DTC for the Shares traded on OTCQX. Therefore, this number does not include the individual holders who have bought/sold Shares on OTCQX or transferred their eligible Shares to their brokerage accounts.

Critical Accounting Policies and Estimates

Investment Transactions and Revenue Recognition

The Trust considers investment transactions to be the receipt of ZEN for Share creations and the delivery of ZEN for Share redemptions or for payment of expenses in ZEN. 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 or depreciation on investments. Realized gains and losses are calculated using the specific identification method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Sponsor's Fee in ZEN.

Principal Market and Fair Value Determination

To determine which market is the Trust's principal market (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Trust's NAV, the Trust follows ASC 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for ZEN in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Trust to assume that ZEN is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

The Trust only receives ZEN from the Authorized Participant and does not itself transact on any Digital Asset Markets. Therefore, the Trust looks to the Authorized Participant when assessing entity-specific and market-based volume and level of activity for Digital Asset Markets. The Authorized Participant transacts in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB ASC Master Glossary. The Authorized Participant, as a related party of the Sponsor, provides information about the Digital Asset Markets on which it transacts to the Trust. In determining which of the eligible Digital Asset Markets is the Trust's principal market, the Trust reviews these criteria in the following order:

- *First*, the Trust reviews a list of Digital Asset Markets and excludes any Digital Asset Markets that are non-accessible to the Trust and the Authorized Participant(s). The Trust or the Authorized Participant does not have access to Digital Asset Exchanges that do not have a BitLicense and has access only to non-Digital Asset Exchange Markets that the Authorized Participant reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.
- *Second*, the Trust sorts the remaining Digital Asset Markets from high to low by entity-specific and market-based volume and activity of ZEN traded on each Digital Asset Market in the trailing twelve months.
- *Third*, the Trust then reviews intra-day pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.
- *Fourth*, the Trust then selects a Digital Asset Market as its principal market based on the highest market volume, activity and price stability in comparison to the other Digital Asset Markets on the list. Based on information reasonably available to the Trust, Exchange Markets have the greatest volume and level of activity for the asset. The Trust therefore looks to accessible Exchange Markets as opposed to the Brokered Market, Dealer Market and Principal-to-Principal Markets to determine its principal market. As a result of the aforementioned analysis, an Exchange Market has been selected as the Trust's principal market.

The Trust determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market's trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Trust has access to, or (iii) if recent changes to each Digital Asset Market'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.

The cost basis of the investment in ZEN recorded by the Trust for financial reporting purposes is the fair value of ZEN at the time of transfer. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of the corresponding Shares to investors.

Investment Company Considerations

The Trust is an investment company for GAAP purposes and follows accounting and reporting guidance in accordance with the FASB ASC Topic 946, *Financial Services—Investment Companies*. The Trust uses fair value as its method of accounting for ZEN in accordance with its classification as an investment company for accounting purposes. The Trust is not a registered investment company under the Investment Company Act. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.

Review of Financial Results

Financial Highlights for the Three Months Ended December 31, 2021 and 2020 (unaudited)

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

	Three Months Ended December 31,	
	2021	2020
Net realized and unrealized (loss) gain on investment in ZEN	<u>\$ (6,421)</u>	<u>\$2,069</u>
Net (decrease) increase in net assets resulting from operations	<u>\$ (6,750)</u>	<u>\$2,043</u>
Net assets	<u>\$37,190</u>	<u>\$5,904</u>

Net realized and unrealized loss on investment in ZEN for the three months ended December 31, 2021 was (\$6,421), which includes a realized gain of \$248 on the transfer of ZEN to pay the Sponsor's Fee and net change in unrealized depreciation on investment in ZEN of (\$6,669). Net realized and unrealized loss on investment in ZEN for the period was driven by ZEN price depreciation from \$69.53 per ZEN as of September 30, 2021 to \$59.22 per ZEN as of December 31, 2021. Net decrease in net assets resulting from operations was (\$6,750) for the three months ended December 31, 2021, which consisted of the net realized and unrealized loss on investment in ZEN, plus the Sponsor's Fee of \$329. Net assets decreased to \$37,190 at December 31, 2021, a 15% decrease for the three-month period. The decrease in net assets resulted from the aforementioned ZEN price depreciation and the withdrawal of 3,970 ZEN to pay the foregoing Sponsor's Fee.

Net realized and unrealized gain on investment in ZEN for the three months ended December 31, 2020 was \$2,069, which includes a realized loss of (\$25) on the transfer of ZEN to pay the Sponsor's Fee and net change in unrealized appreciation on investment in ZEN of \$2,094. Net realized and unrealized gain on investment in ZEN for the period was driven by ZEN price appreciation from \$5.67 per ZEN as of September 30, 2020 to \$10.64 per ZEN as of December 31, 2020. Net increase in net assets resulting from operations was \$2,043 for the three months ended December 31, 2020, which consisted of the net realized and unrealized gain on investment in ZEN, less the Sponsor's Fee of \$26. Net assets increased to \$5,904 at December 31, 2020, a 136% increase for the three-month period. The increase in net assets resulted from the aforementioned ZEN price appreciation and the contribution of approximately 116,575 ZEN with a value of \$1,359 to the Trust in connection with Share creations during the period, partially offset by the withdrawal of 2,961 ZEN to pay the foregoing Sponsor's Fee.

Financial Highlights for the Years Ended September 30, 2021 and 2020

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

	For the Year Ended September 30,	
	2021	2020
Net realized and unrealized gain on investment in ZEN	<u>\$36,797</u>	<u>\$ 751</u>
Net increase in net assets resulting from operations	<u>\$35,981</u>	<u>\$ 677</u>
Net assets	<u>\$43,940</u>	<u>\$2,502</u>

Net realized and unrealized gain on investment in ZEN for the year ended September 30, 2021 was \$36,797, which includes a realized gain of \$568 on the transfer of ZEN to pay the Sponsor's Fee and \$36,229 net change in unrealized appreciation on investment in ZEN. Net realized and unrealized gain on investment in ZEN for the year was driven by ZEN price appreciation from \$5.67 per ZEN as of September 30, 2020 to \$69.53 per ZEN as of September 30, 2021. Net increase in net assets resulting from operations was \$35,981 for the year ended September 30, 2021, which consisted of the net realized and unrealized gain on investment in ZEN, less the Sponsor's Fee of \$816. Net assets increased to \$43,940 at September 30, 2021, a 1,656% increase for the year. The increase in net assets was due to the aforementioned ZEN price appreciation and the contribution of approximately 204,956 ZEN, including approximately 16,375 ZEN receivable as of period-end (the "ZEN Receivable"), with a value of \$5,457 to the Trust in connection with Share creations, partially offset by the withdrawal of 14,286 ZEN to pay the foregoing Sponsor's Fee. See "—Transactions with Related Parties" below for additional information on the ZEN Receivable.

Net realized and unrealized gain on investment in ZEN for the year ended September 30, 2020 was \$751, which includes a realized loss of (\$138) on the transfer of ZEN to pay the Sponsor's Fee, (\$2) net change in unrealized appreciation on the Sponsor's Fee payable and \$891 net change in unrealized appreciation on investment in ZEN. Net realized and unrealized gain on investment in ZEN for the year was driven by ZEN price appreciation from \$3.34 per ZEN as of September 30, 2019 to \$5.67 per ZEN as of September 30, 2020. Net increase in net assets resulting from operations was \$677 for the year ended September 30, 2020, which consisted of the net realized and unrealized gain on investment in ZEN, less the Sponsor's Fee of \$74. Net assets increased to \$2,502 at September 30, 2020, a 104% increase for the year. The increase in net assets was due to the aforementioned ZEN price appreciation and the contribution of approximately 83,829 ZEN with a value of \$597 to the Trust in connection with Share creations, partially offset by the withdrawal of 11,825 ZEN to pay the foregoing Sponsor's Fee.

Transactions with Related Parties

As of September 30, 2021, the Trust recorded a receivable of \$1,138,582 representing the contribution of 16,375.40469036 ZEN not yet delivered by the Authorized Participant, a related party of the Trust and the Sponsor, for Shares issued by the Trust during the year ended September 30, 2021 due to operational delays at the Authorized Participant related to office closures related to the COVID-19 pandemic. As of September 30, 2021, the ZEN Receivable included unrealized depreciation of \$449,395 which was recorded in Net change in unrealized appreciation on investment in ZEN. See "Risk Factors—Risk Factors Related to the Trust and the Shares—The Trust faces risks related to the COVID-19 outbreak, which could negatively impact the value of the Trust's holdings and significantly disrupt its affairs". The 16,375.40469036 ZEN was subsequently delivered by Genesis in October 2021.

Cash Resources and Liquidity

The Trust has not had a cash balance at any time since inception. When selling ZEN, Incidental Rights and/or IR Virtual Currency to pay Additional Trust Expenses, the Sponsor endeavors to sell the exact number of ZEN, Incidental Rights and/or IR Virtual Currency needed to pay expenses in order to minimize the Trust's holdings of assets other than ZEN. 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. Furthermore, the Trust is not a party to any off-balance sheet arrangements.

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

Quantitative and Qualitative Disclosures about Market Risk

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

Selected Operating Data

Three Months Ended December 31, 2021 and 2020 (unaudited)

	Three Months Ended December 31,	
	2021⁽¹⁾	2020⁽¹⁾
Horizen:		
Opening balance	615,586	441,291
Creations, including repayment of ZEN		
Receivable	16,375	116,575
Sponsor's Fee, related party	(3,970)	(2,961)
Closing balance	627,991	554,905
Accrued but unpaid Sponsor's Fee, related party	—	—
Net closing balance	627,991	554,905
Number of Shares⁽¹⁾:		
Opening balance	6,838,000	4,657,000
Creations	—	1,236,000
Closing balance	6,838,000	5,893,000
	As of December 31,	
	2021⁽¹⁾	2020⁽¹⁾
Price of ZEN on principal market ⁽²⁾	\$59.22	\$10.64
NAV per Share ^{(1), (3)}	\$ 5.44	\$ 1.00
Reference Rate Price	\$62.85	\$10.61
Digital Asset Holdings per Share ^{(1), (4)}	\$ 5.77	\$ 1.00

(1) Share and per Share amounts for periods presented prior to the Share Split have been retroactively adjusted for the 10-for-1 Share Split of the Trust's issued and outstanding Shares completed on October 7, 2021.

- (2) The Trust performed an assessment of the principal market at December 31, 2021, and identified the principal market as Coinbase Pro. The Trust performed an assessment of the principal market at December 31, 2020, and identified the principal market as Digital Asset Brokered Market.
- (3) As of December 31, 2021 and 2020, the NAV per Share was calculated using the fair value of ZEN based on the price provided by the Digital Asset Market that the Trust considered its principal market, as of 4:00 p.m., New York time, on the valuation date.
- (4) The Trust's Digital Asset Holdings per Share is derived from the Reference Rate Price as represented by the Reference Rate as of 4:00 p.m., New York time, on the valuation date. The Trust's Digital Asset Holdings per Share is calculated using a non-GAAP methodology where the volume-weighted average price is derived from multiple Digital Asset Exchanges. See the section entitled "Determination of NAV" for a description of the Trust's Digital Asset Holdings per Share. The Digital Asset Exchanges used to calculate the Reference Rate Price as of December 31, 2021 were Binance.US and Bittrex. As of December 31, 2020, the Digital Asset Exchanges used to calculate the Reference Rate Price consisted of Binance and Bittrex.

For accounting purposes, the Trust reflects creations and the ZEN 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 ZEN is received. At this time, the Trust 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 to operate an ongoing redemption program.

As of December 31, 2021, the Trust had a net closing balance with a value of \$39,469,224, based on the Reference Rate Price (non-GAAP methodology). As of December 31, 2021, the Trust had a total market value of \$37,189,617, based on the principal market (Coinbase Pro).

As of December 31, 2020, the Trust had a net closing balance with a value of \$5,887,539, based on the Reference Rate Price (non-GAAP methodology). As of December 31, 2020, the Trust had a total market value of \$5,904,186, based on the principal market (Digital Asset Brokered Market).

Years Ended September 30, 2021 and 2020

	Years Ended September 30,	
	2021⁽¹⁾	2020⁽¹⁾
Horizen:		
Opening Balance	441,291	369,287
Creations ⁽²⁾	188,581	83,829
Sponsor's Fee, related party	(14,286)	(11,825)
Closing balance	615,586	441,291
Accrued but unpaid Sponsor's Fee, related party	—	—
Net closing balance	<u>615,586</u>	<u>441,291</u>
Number of Shares:		
Opening balance	4,657,000	3,785,000
Creations	2,181,000	872,000
Closing balance	<u>6,838,000</u>	<u>4,657,000</u>

	As of September 30,	
	2021⁽¹⁾	2020⁽¹⁾
Price of ZEN on principal market ⁽³⁾	<u>\$69.53</u>	<u>\$5.67</u>
NAV per Share ⁽⁴⁾	<u>\$ 6.43</u>	<u>\$0.54</u>
Reference Rate Price	<u>\$68.07</u>	<u>\$5.66</u>
Digital Asset Holdings per Share ⁽⁵⁾	<u>\$ 6.29</u>	<u>\$0.54</u>

- (1) Share and per Share amounts for periods presented prior to the Share Split have been retroactively adjusted for the 10-for-1 Share Split of the Trust's issued and outstanding Shares completed on October 7, 2021.
- (2) Creations does not include a receivable representing the contribution of 16,375.40469036 ZEN not yet delivered by the Authorized Participant, Genesis, for Shares issued by the Trust during the year ended September 30, 2021. The 16,375.40469036 ZEN was subsequently delivered by Genesis in October 2021.
- (3) The Trust performed an assessment of the principal market at December 31, 2021, and identified the principal market as Coinbase Pro. The Trust performed an assessment of the principal market at December 31, 2020, and identified the principal market as Digital Asset Brokered Market.
- (4) As of September 30, 2021 and 2020, the NAV per Share was calculated using the fair value of ZEN based on the price provided by the Digital Asset Market that the Trust currently considers its principal market, as of 4:00 p.m., New York time, on the valuation date.
- (5) The Trust's Digital Asset Holdings per Share is derived from the Reference Rate Price as represented by the Reference Rate as of 4:00 p.m., New York time, on the valuation date. The Trust's Digital Asset Holdings per Share is calculated using a non-GAAP methodology where the volume-weighted average price is derived from multiple Digital Asset Exchanges. See the section entitled "Determination of NAV" for a description of the Trust's Digital Asset Holdings per Share. The Digital Asset Exchanges used to calculate the Reference Rate Price as of September 30, 2021 and 2020 were Binance.US and Bittrex.

For accounting purposes, the Trust reflects creations and the ZEN 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 ZEN is received. At this time, the Trust 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 to operate an ongoing redemption program.

As of September 30, 2021, the Trust had a net closing balance with a value of \$43,017,563, based on the Reference Rate Price (non-GAAP methodology). As of September 30, 2021, the Trust had a total market value of \$43,940,225, based on the principal market.

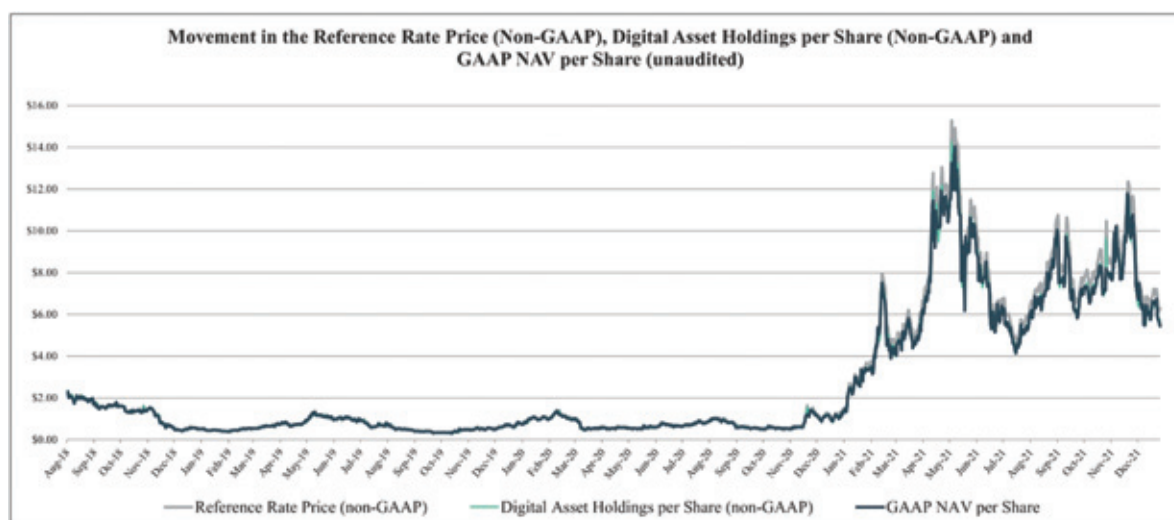
As of September 30, 2020, the Trust had a net closing balance with a value of \$2,497,706, based on the Reference Rate Price (non-GAAP methodology). As of September 30, 2020, the Trust had a total market value of \$2,502,119, based on the principal market.

Historical Digital Asset Holdings and ZEN Prices

As movements in the price of ZEN will directly affect the price of the Shares, investors should understand recent movements in the price of ZEN. Investors, however, should also be aware that past movements in the ZEN 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 following chart illustrates the movement in the Trust's Digital Asset Holdings per Share (as adjusted for the Share Split for periods prior to October 7, 2021) versus the Reference Rate Price and the Trust's NAV per

Share calculated in accordance with GAAP (as adjusted for the Share Split for periods prior to October 7, 2021) from August 6, 2018 (date of the first Creation Basket of the Trust) to December 31, 2021. For more information on the determination of the Trust's Digital Asset Holdings, see "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price."



The following table illustrates the movements in the Reference Rate Price from the beginning of the Trust's operations on August 6, 2018 to December 31, 2021. Since the beginning of the Trust's operations, the Reference Rate Price has ranged from \$3.28 to \$152.74, with the straight average being \$27.31 through December 31, 2021. The Sponsor has not observed a material difference between the Reference Rate Price and average prices from the constituent Digital Asset Exchanges individually or as a group.

Period	Average	High		Low		End of period	Last business day
		Reference Rate Price	Date	Reference Rate Price	Date		
August 6, 2018 to December 31, 2018	\$13.35	\$ 23.24	8/7/2018	\$ 4.33	12/14/2018	\$ 5.48	\$ 5.48
Twelve months ended December 31, 2019 . . .	\$ 6.40	\$ 12.79	5/16/2018	\$ 3.28	9/30/2019	\$ 7.97	\$ 7.97
Twelve months ended December 31, 2020 . . .	\$ 7.95	\$ 16.26	11/25/2020	\$ 4.71	3/18/2020	\$10.61	\$10.61
Twelve months ended December 31, 2021 . . .	\$73.28	\$152.74	5/8/2021	\$11.73	1/2/2021	\$62.85	\$62.85
August 6, 2018 to December 31, 2021	\$27.31	\$152.74	5/8/2021	\$ 3.28	9/30/2019	\$62.85	\$62.85

The following table illustrates the movements in the Digital Asset Market price of ZEN, as reported on the Trust's principal market, from the beginning of the Trust's operations on August 6, 2018 to December 31 2021. Since the beginning of the Trust's operations, the price of ZEN has ranged from \$3.24 to \$150.44, with the straight average being \$27.18.

Period	Average	High		Low		End of period	Last business day
		Digital Asset Market Price	Date	Digital Asset Market Price	Date		
August 6, 2018 to December 31, 2018	\$13.19	\$ 22.84	8/6/2018	\$ 4.14	12/15/2018	\$ 5.15	\$ 5.15
Twelve months ended December 31, 2019	\$ 6.42	\$ 13.54	5/15/2019	\$ 3.24	10/16/2019	\$ 8.50	\$ 8.50
Twelve months ended December 31, 2020	\$ 7.93	\$ 14.81	11/28/2020	\$ 4.69	3/16/2020	\$10.64	\$10.64
Twelve months ended December 31, 2021	\$72.91	\$150.44	5/12/2021	\$11.37	1/2/2021	\$59.22	\$59.22
August 6, 2018 to December 31, 2021	\$27.18	\$150.44	5/12/2021	\$ 3.24	10/16/2019	\$59.22	\$59.22

Secondary Market Trading

The Trust's Shares have been quoted on OTCQX under the symbol HZEN since October 19, 2021. The price of the Shares as quoted on OTCQX has varied significantly from the Digital Asset Holdings per Share. From October 19, 2021 to December 31, 2021, the maximum premium of the closing price of the Shares quoted on OTCQX over the value of the Trust's Digital Asset Holdings per Share was 127% and the average premium was 31%, and the maximum discount of the closing price of the Shares quoted on OTCQX below the value of the Trust's Digital Asset Holdings per Share was 19% and the average discount was 9%. The closing price of the Shares, as quoted on OTCQX at 4:00 p.m., New York time, on each business day, has been quoted at a discount on 9 days. As of December 31, 2021, the Trust's Shares were quoted on OTCQX at a premium of 39% to the Trust's Digital Asset Holdings per Share.

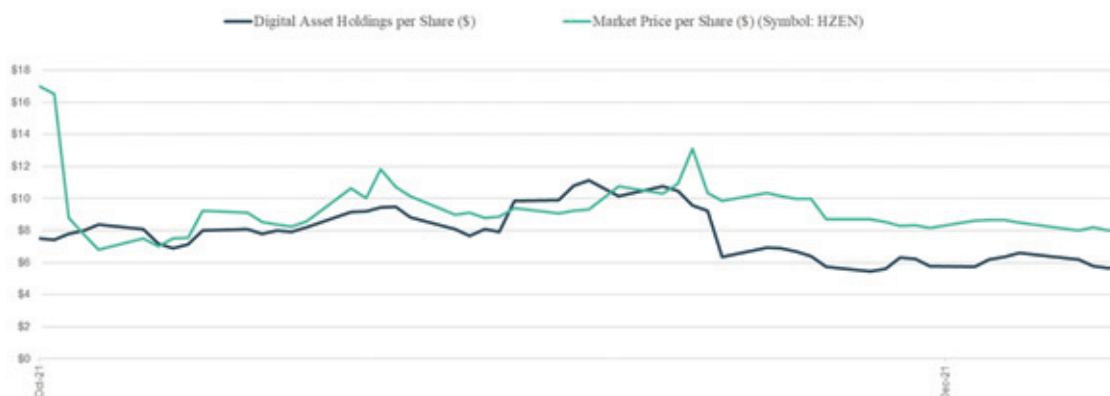
The following table sets out the range of high and low closing prices for the Shares as reported by OTCQX, the Trust's NAV per Share and the Trust's Digital Asset Holdings per Share for each the quarter since October 19, 2021.

	High			Low		
	OTCQX	NAV per Share ⁽¹⁾	Digital Asset Holdings per Share ⁽²⁾	OTCQX	NAV per Share ⁽¹⁾	Digital Asset Holdings per Share ⁽²⁾
Calendar Year 2021						
Fourth quarter	\$17.00	\$11.77	\$11.38	\$6.80	\$5.44	\$5.45

- (1) The NAV is calculated using the fair value of ZEN based on the price provided by the Digital Asset Market that the Trust considers its principal market, which is Coinbase Pro.
- (2) The Trust's Digital Asset Holdings per Share is derived from the Reference Rate Price as represented by the Reference Rate as of 4:00 p.m., New York time, on the valuation date. The Reference Rate Price is calculated using non-GAAP methodology and is not used in the Trust's financial statements. See "Determination of NAV."

The following chart sets out the historical closing prices for the Shares as reported by OTCQX and the Trust's Digital Asset Holdings per Share.

HZEN Premium/(Discount): HZEN Share Price vs. Digital Asset Holdings per Share (\$)



The following chart sets out the historical premium and discount for the Shares as reported by OTCQX and the Trust's Digital Asset Holdings per Share.

HZEN Premium/(Discount): HZEN Share Price vs. Digital Asset Holdings per Share (%)



ACTIVITIES OF THE TRUST

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

Investment Objective

The Trust's investment objective is for the value of the Shares (based on ZEN per Share) to reflect the value of ZEN held by the Trust, determined by reference to the Reference Rate Price, less the Trust's expenses and other liabilities. To date, the Trust has not met its investment objective and the Shares quoted on OTCQX have not reflected the value of ZEN held by the Trust, less the Trust's expenses and other liabilities, but have instead traded at both premiums and discounts to such value, which at times have been substantial.

In the event that the Shares trade at a substantial premium, investors who purchase Shares on OTCQX will pay substantially more for their Shares than investors who purchase Shares in the private placement. The value of the Shares may not reflect the value of the Trust's ZEN, less the Trust's expenses and other liabilities, for a variety of reasons, including the holding period under Rule 144 for Shares purchased in the private placement, the lack of an ongoing redemption program, any halting of creations by the Trust, ZEN price volatility, trading volumes on, or closures of, exchanges where digital assets trade due to fraud, failure, security breaches or otherwise, and the non-current trading hours between OTCQX and the global exchange market for trading ZEN. As a result, the Shares may continue to trade at a substantial premium over, or a substantial discount to, the value of the Trust's ZEN, less the Trust's expenses and other liabilities, and the Trust may be unable to meet its investment objective for the foreseeable future.

For example, from October 19, 2021 to December 31, 2021, the maximum premium of the closing price of the Shares quoted on OTCQX over the value of the Trust's Digital Asset Holdings per Share was 127% and the average premium was 31%. During this period the maximum discount of the closing price of the Shares quoted on OTCQX below the value of the Trust's Digital Asset Holdings per Share was 19% and the average discount was 9%. The closing price of the Shares, as quoted on OTCQX at 4:00 p.m., New York time, on each business day, has been quoted at a discount on 9 days. As of December 31, 2021, the Trust's Shares were quoted on OTCQX at a premium of 39% to the Trust's Digital Asset Holdings per Share.

While an investment in the Shares is not a direct investment in ZEN, the Shares are designed to provide investors with a cost-effective and convenient way to gain investment exposure to ZEN. A substantial direct investment in ZEN may require expensive and sometimes complicated arrangements in connection with the acquisition, security and safekeeping of the ZEN and may involve the payment of substantial fees to acquire such ZEN from third-party facilitators through cash payments of U.S. dollars. Because the value of the Shares is correlated with the value of ZEN held by the Trust, it is important to understand the investment attributes of, and the market for, ZEN.

Shares purchased in the private placement 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 in advance by the Sponsor. In determining whether to grant approval, the Sponsor will specifically look at whether the conditions of Rule 144 under the Securities Act, including the requisite holding period thereunder, and any other applicable laws have been met. Any attempt to sell the 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.

Pursuant to Rule 144, once the Trust has been subject to the reporting requirements of Section 13 under the Exchange Act for a period of 90 days, the minimum holding period for Shares purchased in the private placement will be shortened from one year to six months. As a result, Shares purchased in the private placement will be able to have their transfer restriction legends removed sooner. Because the rate at which Shares are qualified for public trading on OTCQX will increase, the number of Shares being sold by investors onto OTCQX may increase as well. Any increase in the number of Shares trading on OTCQX may cause the price of the Shares on OTCQX to decline. In addition, the shortened holding period may increase demand for the Shares in the private placement, which may further increase the number of Shares being sold by investors onto OTCQX after they have been held for the holding period.

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 for a variety of reasons, including in connection with forks, airdrops and other similar occurrences. As a result, Authorized Participants are not able to take advantage of arbitrage opportunities created when the market value of the Shares deviates from the value of the Trust’s Digital Asset Holdings per Share, which may cause the Shares to trade at a substantial premium over, or a substantial discount to, the value of the Trust’s Digital Asset Holdings per Share.

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. Because the Trust does not believe that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing 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 in the future, 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 in accordance with the provisions of the Trust Agreement and the relevant Participant Agreement. Although the Sponsor cannot predict with certainty what effect, if any, the operation of a redemption program would have on the trading price of the Shares, a redemption program would allow Authorized Participants to take advantage of arbitrage opportunities created when the market value of the Shares deviates from the value of the Trust’s ZEN, less the Trust’s expenses and other liabilities, which may have the effect of reducing any premium at which the Shares trade on OTCQX over such value or cause the Shares to trade at a discount to such value from time to time.

For a discussion of risks relating to the deviation in the trading price of the Shares from the Digital Asset Holdings per Share, see “Risk Factors—Risk Factors Related to the Trust and the Shares—Because of the holding period under Rule 144, the lack of an ongoing redemption program and the Trust’s ability to halt creations from time to time, there is no arbitrage mechanism to keep the value of the Shares closely linked to the Reference Rate Price and the Shares have historically traded at a substantial premium over, or a substantial discount to, the Digital Asset Holdings per Share,” “Risk Factors—Risk Factors Related to the Trust and the Shares—The Shares may trade at a price that is at, above or below the Trust’s Digital Asset Holdings per Share as a result of the non-current trading hours between OTCQX and the Digital Asset Exchange Market,” “Risk Factors—Risk Factors Related to the Trust and the Shares—Shareholders may suffer a loss on their investment if the Shares trade above or below the Trust’s Digital Asset 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.”

Characteristics of the Shares

The Shares are intended to offer investors an opportunity to participate in Digital Asset Markets through an investment in securities. As of December 31, 2021, each Share represented approximately 0.0918 ZEN. The logistics of accepting, transferring and safekeeping of ZEN are dealt with by the Sponsor and Custodian, and the related expenses are built into the value 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 have certain other key characteristics, including the following:

- *Easily Accessible and Relatively Cost Efficient.* Investors in the Shares can also directly access the Digital Asset Markets. The Sponsor believes that investors will be able to more effectively implement strategic and tactical asset allocation strategies that use ZEN by using the Shares instead of directly purchasing and holding ZEN, and for many investors, transaction costs related to the Shares will be lower than those associated with the direct purchase, storage and safekeeping of ZEN.
- *Market-Traded and Transparent.* The Shares are quoted on OTCQX. Shareholders that purchased Shares directly from the Trust and have held them for the requisite holding period under Rule 144 may sell their Shares on OTCQX upon receiving approval from the Sponsor. Investors may also choose to purchase Shares on OTCQX. Shares purchased on OTCQX are not restricted. The Sponsor believes the quotation of the Shares on OTCQX provides investors with an efficient means to implement various investment strategies. The Trust will not hold or employ any derivative securities. Furthermore, the value of the Trust's assets will be reported each day on <https://grayscale.com/products/grayscale-horizen-trust/>.
- *Minimal Credit Risk.* The Shares represent an interest in actual ZEN owned by the Trust. The Trust's ZEN is not subject to borrowing arrangements with third parties or to counterparty or credit risks. This contrasts with the other financial products such as CoinShares exchange-traded notes, TeraExchange swaps and futures traded on the Chicago Mercantile Exchange ("CME") and the Intercontinental Exchange ("ICE") through which investors gain exposure to digital assets through the use of derivatives that are subject to counterparty and credit risks.
- *Safekeeping System.* The Custodian has been appointed to control and secure the ZEN for the Trust using offline storage, or "cold storage", mechanisms to secure the Trust's private key "shards". The hardware, software, administration and continued technological development that are used by the Custodian may not be available or cost-effective for many investors.

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

- *Custodian.* The Custodian that holds the private key shards associated with the Trust's ZEN is Coinbase Custody Trust Company, LLC. Other digital asset financial vehicles that use cold storage may not use a custodian to hold their private keys.
- *Cold Storage of Private Keys.* The private key shards associated with the Trust's ZEN are kept in cold storage, which means that the Trust's ZEN is disconnected and/or deleted entirely from the internet. See "Custody of the Trust's ZEN" for more information relating to the storage and retrieval of the Trust's private keys to and from cold storage. Other digital asset financial vehicles may not utilize cold storage or may utilize less effective cold storage-related hardware and security protocols.
- *Location of Private Vaults.* Private key shards associated with the Trust's ZEN are distributed geographically by the Custodian in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes.
- *Enhanced Security.* Transfers from the Trust's Digital Asset Account require certain security procedures, including but not limited to, multiple encrypted private key shards, usernames, passwords

and 2-step verification. Multiple private key shards held by the Custodian must be combined to reconstitute the private key to sign any transaction in order to transfer the Trust's ZEN. Private key shards are distributed geographically in secure vaults around the world, including in the United States. As a result, if any one secure vault is ever compromised, this event will have no impact on the ability of the Trust to access its assets, other than a possible delay in operations, while one or more of the other secure vaults is used instead. These security procedures are intended to remove single points of failure in the protection of the Trust's ZEN.

- *Custodian Audits.* The Custodian has agreed to allow the Trust and the Sponsor to take any necessary steps to verify that satisfactory internal control system and procedures are in place, and to visit and inspect the systems on which the Custodian's coins are held.
- *Directly Held ZEN.* The Trust directly owns actual ZEN held through the Custodian. The direct ownership of ZEN is not subject to counterparty or credit risks. This may differ from other digital asset financial vehicles that provide ZEN 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 the value of the Shares.

Incidental Rights and IR Virtual Currency

The Trust may from time to time come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of ZEN, generally through a fork in the Horizen Blockchain, an airdrop offered to holders of ZEN 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 (i) selling Incidental Rights and/or IR Virtual Currency in the Digital Asset Market and distributing the cash proceeds to shareholders, (ii) distributing Incidental Rights and/or IR Virtual Currency in-kind to the shareholders or to an agent acting on behalf of the shareholders for sale by such agent if an in-kind distribution would otherwise be infeasible and (iii) irrevocably abandoning Incidental Rights or IR Virtual Currency. 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 Digital Asset Holdings, the Digital Asset Holdings per Share, the NAV and the NAV 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 to an agent acting on behalf of the shareholders, the shareholders' agent will attempt to sell the Incidental Rights or IR Virtual Currency, and if the agent is able to do so, will remit the cash proceeds to shareholders, net of expenses and any applicable withholding taxes. 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 of Incidental Rights or IR Virtual Currency, 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.

On July 29, 2019, the Sponsor delivered to the Custodian a notice (the "Pre-Creation Abandonment Notice") stating that the Trust is abandoning irrevocably for no direct or indirect consideration, effective immediately prior to each time at which the Trust creates Shares (any such time, a "Creation Time"), all Incidental Rights and IR Virtual Currency to which it would otherwise be entitled as of such time (any such abandonment, a "Pre-Creation Abandonment"); provided that a Pre-Creation Abandonment will not apply to any Incidental

Rights and/or IR Virtual Currency if (i) the Trust has taken, or is taking at such time, an Affirmative Action to acquire or abandon such Incidental Rights and/or IR Virtual Currency at any time prior to such Creation Time or (ii) such Incidental Rights and/or IR Virtual Currency has been subject to a previous Pre-Creation Abandonment. An Affirmative Action refers to a written notification from the Sponsor to the Custodian of the Trust's intention (i) to acquire and/or retain any Incidental Rights and/or IR Virtual Currency or (ii) to abandon, with effect prior to the relevant Creation Time, any Incidental Rights and/or IR Virtual Currency.

In determining whether to take an Affirmative Action to acquire and/or retain an Incidental Rights and IR Virtual Currency, the Trust takes into consideration a number of factors, including:

- the Custodian's agreement to provide access to the IR Virtual Currency;
- the availability of a safe and practical way to custody the IR Virtual Currency;
- the costs of taking possession and/or maintaining ownership of the IR Virtual Currency and whether such costs exceed the benefits of owning such IR Virtual Currency;
- whether there are any legal restrictions on, or tax implications with respect to, the ownership, sale or disposition of the Incidental Right or IR Virtual Currency, regardless of whether there is a safe and practical way to custody and secure such Incidental Right or IR Virtual Currency;
- the existence of a suitable market into which the Incidental Right or IR Virtual Currency may be sold; and
- whether the Incidental Right or IR Virtual Currency is, or may be, a security under federal securities laws.

In determining whether the IR Virtual Currency is, or may be, a security under federal securities laws, the Sponsor takes into account a number of factors, including the various definitions of "security" under the federal securities laws and federal court decisions interpreting elements of these definitions, such as the U.S. Supreme Court's decisions in the *Howey* and *Reves* cases, as well as reports, orders, press releases, public statements and speeches by the SEC and its staff providing guidance on when a digital asset may be a security for purposes of the federal securities laws.

As a result of the Pre-Creation Abandonment Notice, since July 29, 2019, the Trust has irrevocably abandoned, prior to the Creation Time of any Shares, any Incidental Right or IR Virtual Currency that it may have any right to receive at such time. The Trust has no right to receive any Incidental Right or IR Virtual Currency abandoned pursuant to either the Pre-Creation Abandonment Notice or Affirmative Actions. Furthermore, the Custodian has no authority, pursuant to the Custodian Agreement or otherwise, to exercise, obtain or hold, as the case may be, any such abandoned Incidental Right or IR Virtual Currency on behalf of the Trust or to transfer any such abandoned Incidental Right or IR Virtual Currency to the Trust if the Trust terminates its custodial agreement with the Custodian.

The Sponsor intends to evaluate each fork, airdrop or similar occurrence on a case-by-case basis in consultation with the Trust's legal advisers, tax consultants, and Custodian, and may decide to abandon any Incidental Rights or IR Virtual Currency resulting from a hard fork, airdrop or similar occurrence should the Sponsor conclude, in its discretion, that such abandonment is in the best interests of the Trust. In the event the Sponsor decides to sell any Incidental Right or IR Virtual Currency, it would expect to execute the sale to the Authorized Participant, as principal, or through the Authorized Participant, as broker. In either case, the Sponsor expects that the Authorized Participant would only be willing to transact with the Sponsor on behalf of the Trust if the Authorized Participant considered it possible to trade the Incidental Right or IR Virtual Currency on a Digital Asset Exchange or other venue to which the Authorized Participant has access. The Authorized Participant has access only to Digital Asset Exchanges or other venues that the Authorized Participant reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each venue.

Secondary Market Trading

While the Trust's investment objective is for the value of the Shares (based on ZEN per Share) to reflect the value of ZEN held by the Trust, determined by reference to the Reference Rate Price, less the Trust's expenses and other liabilities, the Shares may trade in the Secondary Market on OTCQX (or on another Secondary Market in the future) at prices that are lower or higher than the Digital Asset Holdings per Share. The amount of the discount or premium in the trading price relative to the Digital Asset Holdings per Share may be influenced by non-concurrent trading hours and liquidity between OTCQX and larger Digital Asset Exchanges. While the Shares are listed and trade on OTCQX from 6:00 a.m. until 5:00 p.m., New York time, liquidity in the Digital Asset Markets may fluctuate depending upon the volume and availability of larger Digital Asset Exchanges. As a result, during periods in which Digital Asset Market liquidity is limited or a major Digital Asset Exchange is off-line, trading spreads, and the resulting premium or discount, on the Shares may widen.

Trust Expenses

The Trust's only ordinary recurring expense is expected to be the Sponsor's Fee. The Sponsor's Fee will accrue daily in U.S. dollars at an annual rate of 2.5% of the Digital Asset Holdings Fee Basis Amount of the Trust as of 4:00 p.m., New York time, on each day; provided that for a day that is not a business day, the calculation of the Sponsor's Fee will be based on the Digital Asset Holdings Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Sponsor's Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. This dollar amount for each daily accrual will then be converted into ZEN by reference to the same Reference Rate Price used to determine such accrual. The Sponsor's Fee is payable in ZEN to the Sponsor monthly in arrears.

To cause the Trust to pay the Sponsor's Fee, the Sponsor will instruct the Custodian to (i) withdraw from the Digital Asset Account the number of ZEN equal to the accrued but unpaid Sponsor's Fee and (ii) transfer such ZEN to the Sponsor's account at such times as the Sponsor determines in its absolute discretion.

If the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may also pay the Sponsor's Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights and/or IR Virtual Currency to the Sponsor at a value to be determined pursuant to such agreement. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not otherwise conflict with the terms of the Trust Agreement. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference a reference rate provided by the Reference Rate Provider or, in the absence of such reference rate, by reference to the cascading set of rules described in "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price." If the Trust pays the Sponsor's Fee in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ZEN that would otherwise have been used to satisfy such payment will be correspondingly reduced. The Sponsor, from time to time, may temporarily waive all or a portion of the Sponsor's Fee in its discretion for stated periods of time. Presently, the Sponsor does not intend to waive any of the Sponsor's Fee and there are no circumstances under which the Sponsor has determined it will definitely waive the fee.

After the Trust's payment of the Sponsor's Fee to the Sponsor, the Sponsor may elect to convert the ZEN, Incidental Rights and/or IR Virtual Currency received as payment of the Sponsor's Fee into U.S. dollars. The rate at which the Sponsor converts such ZEN, Incidental Rights and/or IR Virtual Currency into U.S. dollars may differ from the rate at which the relevant Sponsor's Fee was determined. The Trust will not be responsible for any fees and expenses incurred by the Sponsor to convert ZEN, Incidental Rights and/or IR Virtual Currency received in payment of the Sponsor's Fee into U.S. dollars.

As partial consideration for its receipt of the Sponsor's Fee, the Sponsor has assumed the obligation to pay the Sponsor-paid Expenses. There is no cap on such Sponsor-Paid Expenses. The Sponsor has not assumed the

obligation to pay Additional Trust Expenses. Any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense. If Additional Trust Expenses are incurred, the Sponsor (i) will instruct the Custodian to withdraw from the Digital Asset Account ZEN, 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 ZEN, 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 ZEN, Incidental Rights and/or IR Virtual Currency in kind in satisfaction of such Additional Trust Expenses. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay Additional Trust Expenses only if doing so does not conflict with the terms of the Trust Agreement. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to a reference rate provided by the Reference Rate Provider or, in the absence of such reference rate, by reference to the cascading set of rules described in "Overview of Horizon—ZEN Value—The Reference Rate and the Reference Rate Price." If the Trust pays the Additional Trust Expenses in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ZEN that would otherwise have been used to satisfy such payment will be correspondingly reduced.

The number of ZEN represented by a Share will decline each time the Trust pays the Sponsor's Fee or any Additional Trust Expenses by transferring or selling ZEN. See "Expenses; Sales of ZEN."

Impact of Trust Expenses on the Trust's Digital Asset Holdings

The Trust will pay the Sponsor's Fee to the Sponsor in ZEN, Incidental Rights and/or IR Virtual Currency. In addition, the Trust will sell ZEN, 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 ZEN, Incidental Rights and/or IR Virtual Currency. The Trust's ZEN, Incidental Rights and IR Virtual Currency, and the purchase price received as consideration for such sales of ZEN, 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 ZEN held by the Trust will decrease when ZEN is used to pay the Sponsor's Fee or Additional Trust Expenses or are sold to permit the payment of Additional Trust Expenses, it is expected that the fractional number of ZEN 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 ZEN deposited into the Digital Asset Account in exchange for additional new Baskets issued by the Trust will not reverse this trend.

Hypothetical Expense Example

The following table illustrates the anticipated impact of the payment of the Trust's expenses on the number of ZEN represented by each outstanding Share for three years, assuming that the Trust does not make any payments using any Incidental Rights and/or IR Virtual Currency. It assumes that the only transfers of ZEN will be those needed to pay the Sponsor's Fee and that the price of ZEN and the number of Shares remain constant during the three-year period covered. The table does not show the impact of any Additional Trust Expenses. Any Additional Trust Expenses, if and when incurred, will accelerate the decrease in the fractional number of ZEN

represented by each Share. In addition, the table does not show the effect of any waivers of the Sponsor's Fee that may be in effect from time to time.

	Year		
	1	2	3
Hypothetical price per ZEN	\$ 100.00	\$ 100.00	\$ 100.00
Sponsor's Fee	2.50%	2.50%	2.50%
Shares of Trust, beginning	100,000.00	100,000.00	100,000.00
ZEN in Trust, beginning	10,000.00	9,750.00	9,506.25
Hypothetical value of ZEN in Trust	\$1,000,000.00	\$975,000.00	\$950,625.00
Beginning Digital Asset Holdings of the Trust	\$1,000,000.00	\$975,000.00	\$950,625.00
ZEN to be delivered to cover the Sponsor's Fee	250.00	243.75	237.66
ZEN in Trust, ending	9,750.00	9,506.25	9,268.59
Ending Digital Asset Holdings of the Trust	\$ 975,000.00	\$950,625.00	\$926,859.38
Ending Digital Asset Holdings per share	\$ 9.75	\$ 9.51	\$ 9.27
Hypothetical price per ZEN	\$ 100.00	\$ 100.00	\$ 100.00

Discretion of the Reference Rate Provider

The Reference Rate Provider has sole discretion over the determination of Reference Rate Price and may change the methodologies for determining the Reference Rate Price from time to time.

DESCRIPTION OF THE TRUST

The Trust is a Delaware Statutory Trust that was formed on July 3, 2018 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 (“DSTA”). On January 11, 2019, the Trust changed its name from Horizen Investment Trust to Grayscale Horizen Trust (ZEN) by filing a Certificate of Amendment to the Certificate of Trust with the Delaware Secretary of State in accordance with the provisions of the DSTA. The Trust operates pursuant to the Trust Agreement.

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 ZEN is held by the Custodian on behalf of the Trust. The Trust’s ZEN will be transferred out of the Digital Asset Account only in the following circumstances: (i) transferred to pay the Sponsor’s Fee or any Additional Trust Expenses, (ii) sold on an as-needed basis to pay Additional Trust Expenses or (iii) 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 ZEN by the Trust to pay the Sponsor’s Fee or any Additional Trust Expenses will be a taxable event for shareholders. See “Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders.”

The Trust is not a registered 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 creates 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 from time to time as a result of the creation of Baskets. The creation of Baskets will require the delivery to the Trust of the number of ZEN represented by the Baskets being created. The creation of a Basket will be made only in exchange for the delivery to the Trust of the number of whole and fractional ZEN represented by each Basket being created, the number of which is determined by dividing (x) the number of ZEN owned by the Trust at 4:00 p.m., New York time, on the relevant trade date, after deducting the number of ZEN representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust (converted using the Reference Rate 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 ZEN (*i.e.*, carried to the eighth decimal place)), and multiplying such quotient by 100.

Although the redemption of Shares is provided for in the Trust Agreement, the redemption of Shares is not currently permitted and the Trust does not currently operate a redemption program. 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. Because the Trust does not believe that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing 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 in the future, 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 in accordance with the provisions of the Trust Agreement and the relevant Participant Agreement. Although the Sponsor cannot predict with certainty what effect, if any, the operation of a redemption program would have on the trading price of the Shares, this will allow Authorized Participants to take advantage of arbitrage opportunities created when the market value of the Shares deviates from the value of the Trust’s ZEN, less the Trust’s expenses and other liabilities, which may have the effect of reducing any premium at which the Shares trade on OTCQX over such value or cause the Shares to trade at a discount to such value from time to time.

Each Share represented approximately 0.0918 ZEN as of December 31, 2021. Each Share in the initial Baskets represented approximately 0.1000 ZEN. The number of ZEN required to create a Basket is expected to continue to gradually decrease over time due to the transfer or sale of the Trust's ZEN 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—Because of the holding period under Rule 144, the lack of an ongoing redemption program and the Trust's ability to halt creations from time to time, there is no arbitrage mechanism to keep the value of the Shares closely linked to the Reference Rate Price and the Shares have historically traded at a substantial premium over, or a substantial discount to, the Digital Asset 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 Digital Asset Holdings 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 Digital Asset Holdings per Share, which equals the Digital Asset Holdings divided by the number of outstanding Shares. Each business day, the Sponsor will publish the Trust's Digital Asset Holdings and Digital Asset Holdings per Share on the Trust's website, <https://grayscale.com/products/grayscale-horizen-trust/>, as soon as practicable after the Trust's Digital Asset Holdings and Digital Asset Holdings per Share have been determined by the Sponsor. See "Valuation of ZEN and Determination of Digital Asset Holdings."

The Trust's assets consist solely of ZEN, Incidental Rights, IR Virtual Currency, proceeds from the sale of ZEN, 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 represents a proportional interest, based on the total number of Shares outstanding, in each of the Trust's assets as determined in the case of ZEN by reference to the Reference Rate 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 ZEN. In addition, because the Shares will reflect the estimated accrued but unpaid expenses of the Trust, the number of ZEN represented by a Share will gradually decrease over time as the Trust's ZEN is 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 Digital Asset Holdings or the Digital Asset Holdings per Share.

ZEN pricing information is available on a 24-hour basis from various financial information service providers or Horizen Network information sites such as Tradeblock.com or Bitcoincharts.com. The spot price and bid/ask spreads may also be available directly from Digital Asset Exchanges. As of December 31, 2021, the Digital Asset Exchanges considered when determining the Reference Rate Price were Binance.US and Bittrex. On April 1, 2022, the Reference Rate Provider added Coinbase Pro to the Reference Rate as part of its scheduled quarterly review. The Reference Rate Provider may remove or add Digital Asset Exchanges to the Reference Rate in the future at its discretion. Market prices for the Shares will be available from a variety of sources, including brokerage firms, information websites and other information service providers. In addition, on each business day the Trust's website will provide pricing information for the Shares.

The Trust has no fixed termination date.

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 DCG. The Sponsor's principal place of business is 290 Harbor Drive, 4th Floor, Stamford, CT 06902 and its telephone number is (212) 668-1427. Under the Delaware Limited Liability Company Act and the governing documents of the Sponsor, DCG, 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 and quotation of the Shares on OTCQX. As partial 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 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 and financial statements on behalf of the Trust for investors, (ii) processing orders to create Baskets and coordinating the processing of such orders with the Custodian and the Transfer Agent, (iii) calculating and publishing the Digital Asset Holdings and the Digital Asset Holdings per Share of the Trust 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 Custodian to transfer the Trust's ZEN, as needed to pay the Sponsor's Fee and any Additional Trust Expenses, (vi) upon dissolution of the Trust, distributing the Trust's remaining ZEN, Incidental Rights and IR Virtual Currency or the cash proceeds of the sale thereof to the owners of record of the Shares and (vii) establishing the principal market for GAAP valuation. In addition, if there is a fork in the Horizen Network after which there is a dispute as to which network resulting from the fork is the Horizen Network, the Sponsor has the authority to select the network that it believes in good faith is the Horizen 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 ZEN but instead has entered into the Custodian Agreement with the Custodian to facilitate the security of the Trust's ZEN.

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 partial consideration for the Sponsor's agreement to pay the Sponsor-paid Expenses. See "Activities of the Trust—Trust Expenses."

The Sponsor may, in its sole discretion, select a different Reference Rate provider or calculate the Reference Rate Price by using the cascading set of rules set forth under "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price—Determination of the Reference Rate Price When Reference Rate Price is Unavailable".

Distribution and Marketing Agreement

The Sponsor has entered into a Distribution and Marketing Agreement with Genesis to assist the Sponsor in distributing the Shares, developing an ongoing marketing plan for the Trust, preparing marketing materials

regarding the Shares, including the content on the Trust's website, <https://grayscale.com/products/grayscale-horizon-trust/>, executing the marketing plan for the Trust and providing strategic and tactical research on the Digital Asset Markets.

Reference Rate License Agreement

The Reference Rate Provider and the Sponsor have entered into the Reference Rate License Agreement governing the Sponsor's use of the Reference Rate for calculation of the Reference Rate Price. The Reference Rate Provider may adjust the calculation methodology for the Reference Rate without notice to, or consent of, the Trust or its shareholders. Under the Reference Rate License Agreement, the Sponsor pays a monthly fee and a fee based on the Digital Asset Holdings of the Trust to the Reference Rate Provider in consideration of its license to the Sponsor of Reference Rate-related intellectual property. The Reference Rate License Agreement will automatically renew on an annual basis. The Reference Rate License Agreement is terminable by either party upon written notice in the event of a material breach that remains uncured for thirty days after initial written notice of such breach. Further, either party may terminate the Reference Rate License Agreement immediately upon notice under certain circumstances, including with respect to the other party's (i) insolvency, bankruptcy or analogous event or (ii) violation of money transmission, taxation or trading regulations that materially adversely affect either party's ability to perform under the Reference Rate License Agreement.

Management of the Sponsor

The Trust does not have any directors, officers or employees. 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 Custodian and its agents. As officers of the Sponsor, Michael Sonnenshein, the principal executive officer of the Sponsor, and Edward McGee, the principal financial officer 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.

The Sponsor has a board of directors (the "Board") that is responsible for managing and directing the affairs of the Sponsor. The Board consists of Barry E. Silbert, Mark Murphy and Mr. Sonnenshein, who also retain the authority granted to them as officers under the limited liability company agreement of the Sponsor.

The Sponsor has an Audit Committee. The Audit Committee has the responsibility for overseeing the financial reporting process of the Trust, including the risks and controls of that process and such other oversight functions as are typically performed by an audit committee of a public company. The Audit Committee consists of Messrs. Silbert, Sonnenshein and McGee.

The Sponsor has a code of ethics (the "Code of Ethics") that applies to its executive officers and agents. The Code of Ethics is available by writing the Sponsor at 290 Harbor Drive, 4th Floor, Stamford, CT 06902 or calling the Sponsor at (212) 668-1427. The Sponsor's Code of Ethics is intended to be a codification of the business and ethical principles that guide the Sponsor, and to deter wrongdoing, to promote honest and ethical conduct, to avoid conflicts of interest, and to foster compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of violations and accountability for adherence to this code.

Barry E. Silbert, Chairman of the Board

Barry E. Silbert, 45, is the founder of the Sponsor and was Chief Executive Officer of the Sponsor until January 2021. Mr. Silbert is also the founder and Chief Executive Officer of Digital Currency Group, Inc. ("DCG"), a global enterprise that builds, buys, and invests in blockchain companies all over the world. DCG is the parent company of the Sponsor, the Authorized Participant, as well as CoinDesk.

A pioneer in Bitcoin investing, Mr. Silbert began buying Bitcoin in 2012 and quickly established himself as one of the earliest and most active investors in the industry.

Mr. Silbert founded DCG in 2015 and today, DCG sits at the epicenter of the blockchain industry, backing more than 150 companies across 30 countries, including Coinbase, Ripple, and Chainalysis. DCG also invests directly in digital currencies and other digital assets.

Prior to leading DCG, Mr. Silbert was the founder and CEO of SecondMarket, a technology company that was acquired by Nasdaq. Mr. Silbert has received numerous accolades for his leadership including Entrepreneur of the Year by both EY and Crain's, and being selected to Fortune's "40 under 40" list.

Before becoming an entrepreneur, Mr. Silbert worked as an investment banker. He graduated with honors from the Goizueta Business School of Emory University.

Mark Murphy, Board Member

Mark Murphy, 46, is the Chief Operating Officer of DCG. In that role, he works closely with DCG's subsidiaries on strategy, execution, marketing, and all management matters. Mr. Murphy leads DCG's legal, communications, marketing, brand, and public policy efforts, and supports Mr. Silbert on day-to-day management of DCG. He also advises DCG portfolio companies on public relations, brand, and marketing efforts. Prior to serving as COO of DCG, Mr. Murphy served as Head of Public Affairs. Mr. Murphy is also President of the Board of Directors of Blockchain Association, the industry's leading trade association.

Prior to joining DCG, Mr. Murphy led communications teams at Bloomberg, First Data, and SecondMarket. Mr. Murphy worked as a commercial litigation attorney earlier in his career. He is a graduate of Miami University (B.A.) and St. John's University School of Law (J.D.).

Michael Sonnenshein, Board Member and Chief Executive Officer

Michael Sonnenshein, 35, is CEO of the Sponsor, having served as Managing Director of the Sponsor since 2018. In this role, Mr. Sonnenshein oversees the strategic direction and growth of the business. Mr. Sonnenshein is also responsible for maintaining many of the firm's key relationships with clients, industry stakeholders, and regulators as well as managing the development of the Sponsor's single-asset and diversified digital currency products. From 2015 to 2017, Mr. Sonnenshein was Director of Sales & Business Development for the Sponsor, and prior to that served as an Account Executive from 2014 to 2015. Prior to joining the Sponsor, Mr. Sonnenshein was a financial adviser at JP Morgan Securities, covering high net worth individuals and institutions, and an analyst at Barclays Wealth, providing coverage to middle-market hedge funds and institutions. Mr. Sonnenshein earned his Bachelor of Business Administration from the Goizueta Business School at Emory University and his Master of Business Administration from the Leonard N. Stern School of Business at New York University. Mr. Sonnenshein was honored in 2018 as one of Business Insider's Rising Stars of Wall Street and serves as a member of the CME Group Bitcoin Futures Council and NYU Blockchain Association.

Edward McGee, Chief Financial Officer

Edward McGee, 38, is the Chief Financial Officer of the Sponsor, having served as Vice President, Finance and Controller of the Sponsor since June 2019. Prior to taking on his role at the Sponsor, Mr. McGee served as a Vice President, Accounting Policy at Goldman, Sachs & Co. providing coverage to their SEC Financial Reporting team facilitating the preparation and review of their financial statements and provided U.S. GAAP interpretation, application and policy development while servicing their Special Situations Group, Merchant Banking Division and Urban Investments Group from 2014 to 2019. From 2011 to 2014, Mr. McGee was an auditor at Ernst & Young providing assurance services to publicly listed companies. Mr. McGee earned his Bachelor of Science degree in accounting from the John H. Sykes College of Business at the University of Tampa and graduated with honors while earning his Master of Accountancy in Financial Accounting from the Rutgers Business School at the State University of New Jersey. Mr. McGee is a Certified Public Accountant licensed in the state of New York.

THE TRUSTEE

Delaware Trust Company serves as Delaware trustee of the Trust under the Trust Agreement. The Trustee has its principal office at 251 Little Falls Drive, Wilmington, DE 19808. The Trustee is unaffiliated with the Sponsor. A copy of the Trust Agreement is available for inspection at the Sponsor's principal office identified above.

The Trustee's Role

The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the sole purpose of satisfying the requirement of Section 3807(a) of the DSTA that the Trust have at least one trustee with a principal place of business in the State of Delaware. The duties of the Trustee will be 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 Delaware Trustee is required to execute under the DSTA. To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or the shareholders, 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, Transfer Agent, Custodian or any other person.

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 in connection with the issuance and sale of Shares is limited solely to the express obligations of the Trustee as set forth in the Trust Agreement.

The Trustee has not prepared or verified, and will not be responsible or liable for, any information, disclosure or other statement in this Information Statement or in any other document issued or delivered in connection with the sale or transfer of the Shares. The Trust Agreement provides that the Trustee will not be responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the ZEN or other assets of the Trust. See "Description of Trust Documents—Description of the Trust Agreement."

The Trustee is permitted to resign upon at least 180 days' notice to the Trust. The Trustee will be compensated by the Sponsor and indemnified by the Sponsor and the Trust against any expenses it incurs relating to or arising out of the formation, operation or termination of the Trust, or the performance of its duties pursuant to the Trust Agreement except to the extent that such expenses result from gross negligence, willful misconduct or bad faith of the Trustee. The Sponsor has the discretion to replace the Trustee.

Fees paid to the Trustee are a Sponsor-paid Expense.

THE TRANSFER AGENT

Continental Stock Transfer & Trust Company, a Delaware corporation, serves as the Transfer Agent of the Trust pursuant to the terms and provisions of the Transfer Agency and Service Agreement. The Transfer Agent has its principal office at 1 State Street, 30th Floor, New York, New York 10004. A copy of the Transfer Agency and Service Agreement is available for inspection at the Sponsor's principal office identified herein.

The Transfer Agent holds the Shares primarily in book-entry form. The Sponsor directs the Transfer Agent to credit the number of Creation Baskets to the investor on behalf of which an Authorized Participant submitted a creation order. The Transfer Agent will issue Creation Baskets. The Transfer Agent will also assist with the preparation of shareholders' account and tax statements.

The Sponsor will indemnify and hold harmless the Transfer Agent, and the Transfer Agent will incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

Fees paid to the Transfer Agent are a Sponsor-paid Expense.

AUTHORIZED PARTICIPANTS

An Authorized Participant must enter into a “Participant Agreement” with the Sponsor and the Trust to govern its placement of orders to create Baskets. The Participant Agreement sets forth the procedures for the creation of Baskets and for the delivery of ZEN required for creations. 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 a ZEN wallet address that is known to the Custodian as belonging to the Authorized Participant. A list of the current Authorized Participants can be obtained from the Sponsor. As of the date of this Information Statement, Genesis is the only acting Authorized Participant. The Sponsor intends to engage additional Authorized Participants that 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 CUSTODIAN

Coinbase Custody Trust Company, LLC is a fiduciary under § 100 of the New York Banking Law and a qualified custodian for purposes of Rule 206(4)-2(d)(6) under the Investment Advisers Act of 1940, as amended. The Custodian is authorized to serve as the Trust’s custodian under the Trust Agreement and pursuant to the terms and provisions of the Custodian Agreement. The Custodian has its principal office at 200 Park Avenue South, Suite 1208, New York, NY 10003. A copy of the Custodian Agreement is available for inspection at the Sponsor’s principal office identified herein.

Under the Custodian Agreement, the Custodian controls and secures the Trust’s “Digital Asset Account,” a segregated custody account to store private keys, which allow for the transfer of ownership or control of the Trust’s ZEN, on the Trust’s behalf. The Custodian’s services (i) allow ZEN to be deposited from a public blockchain address to the Trust’s Digital Asset Account and (ii) allow the Trust or Sponsor to withdraw ZEN from the Trust’s Digital Asset Account to a public blockchain address the Trust or Sponsor controls (the “Custodial Services”). The Digital Asset Account uses offline storage, or “cold” storage, mechanisms to secure the Trust’s private keys. The term cold storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet.

The Custodian will withdraw from the Trust’s Digital Asset Account the number of ZEN necessary to pay the Trust’s expenses.

Fees paid to the Custodian are a Sponsor-paid Expense.

Under the Custodian Agreement, each of the Custodian and the Trust has agreed to indemnify and hold harmless the other party from any third-party claim or third-party demand (including reasonable and documented attorneys’ fees and any fines, fees or penalties imposed by any regulatory authority) arising out of or related to the Custodian’s or the Trust’s, as the case may be, breach of the Custodian Agreement, inaccuracy in any of the Custodian’s or the Trust’s, as the case may be, representations or warranties in the Custodian Agreement, or the Trust’s violation, or the Custodian’s knowing violation, of any law, rule or regulation, or the rights of any third party, except where such claim directly results from the gross negligence, fraud or willful misconduct of the other such party.

The Custodian and its affiliates may from time to time purchase or sell ZEN for their own accounts and as agent for their customers or Shares for their own accounts. The foregoing notwithstanding, ZEN in the Digital Asset Account are not treated as general assets of the Custodian and cannot be commingled with any other digital assets held by the Custodian. The Custodian serves as a fiduciary and custodian on the Trust’s behalf, and the ZEN in the Digital Asset Account are considered fiduciary assets that remain the Trust’s property at all times.

Once each calendar year, the Sponsor or the Trust may request that the Custodian deliver a certificate signed by a duly authorized officer to certify that the Custodian has complied and is currently in compliance with the Custodian Agreement and that all representations and warranties made by the Custodian in the Custodian Agreement are true and correct on and as of the date of such certificate, and have been true and correct throughout the preceding year. In addition, the Custodian has agreed to allow the Trust and the Sponsor to take any necessary steps to verify that satisfactory internal control system and procedures are in place, and to visit and inspect the systems on which the Custodian's coins are held.

If the Custodian resigns in its capacity as custodian, the Sponsor may appoint an additional or replacement custodian and enter into a custodian agreement on behalf of the Trust with such custodian. Furthermore, the Sponsor and the Trust may use ZEN custody services or similar services provided by entities other than Coinbase Custody Trust Company, LLC at any time without prior notice to Coinbase Custody Trust Company, LLC.

THE DISTRIBUTOR AND MARKETER

Genesis Global Trading, Inc., a Delaware corporation, is the distributor and marketer of the Shares. Genesis is a registered broker-dealer with the SEC and is a member of FINRA.

In its capacity as distributor and marketer, Genesis 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.com/products/grayscale-horizon-trust/>; executing the marketing plan for the Trust; and providing strategic and tactical research to the Trust on the Digital Asset Markets. The Genesis and the Sponsor are affiliates of one another.

The Sponsor has entered into a Distribution and Marketing Agreement with Genesis.

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, shareholders 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.

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. (“DCG”) is (i) the sole member and parent company of the Sponsor and Genesis, the only acting Authorized Participant as of the date of this Information Statement, (ii) the indirect parent company of the Reference Rate Provider, and (iii) a minority interest holder in Coinbase, which the Trust considers its principal market and which is the parent company of the Custodian, representing less than 1.0% of its equity.

DCG has investments in a large number of digital assets and companies involved in the digital asset ecosystem, including exchanges and custodians. DCG’s positions on changes that should be adopted in the Horizen Network could be adverse to positions that would benefit the Trust or its shareholders. Additionally, before or after a hard fork, DCG’s position regarding which fork among a group of incompatible forks of the Horizen Network should be considered the “true” ZEN 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 Trust, including several other digital asset investment vehicles, 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 Genesis 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.

There is an absence of arm's-length negotiation with respect to some of the terms of the Trust, and, where applicable, there has been no independent due diligence conducted with respect to the Trust. The Sponsor will, however, not retain any affiliated service providers for the Trust which the Sponsor has reason to believe would knowingly or deliberately favor any other client over the Trust.

The Authorized Participant

As of the date of this Information 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 Amount).

In addition, Genesis may engage in ZEN trading with the Trust's affiliated entities. For example, when the Sponsor receives the Sponsor's Fee in ZEN, it may sell the ZEN 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, DCG, is the sole shareholder and parent company of Genesis, in addition to a customer of Genesis, and may buy or sell ZEN through Genesis from time to time, independent of the Trust. Lastly, several employees of the Sponsor and DCG are FINRA-registered representatives who maintain their licenses through Genesis.

Proprietary Trading/Other Clients

Because the officers of the Sponsor may trade ZEN 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, 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.

The Reference Rate Provider

DCG is the indirect parent company of the Reference Rate Provider. As a result, the Reference Rate Provider is an affiliate of the Sponsor and the Trust and has an incentive to resolve questions regarding, or changes to, the manner in which the Reference Rate is constructed and in which the Reference Rate Price is calculated in a way that favors the Sponsor and the Trust.

In addition, Genesis, the only Authorized Participant as of the date hereof, licenses and uses a trading software platform provided by the Reference Rate Provider to operate its ZEN trading desk and to facilitate Genesis's actions as an Authorized Participant. Although the Reference Rate Provider does not currently utilize data from over-the-counter markets or derivative platforms, per the terms of the license, the Reference Rate Provider is entitled to use the over-the-counter trading data from Genesis in the Reference Rate.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Shares for:

- each person that, to the Sponsor's knowledge based solely on the records of the Transfer Agent, owns beneficially a significant portion of the Shares;
- each director and executive officer of the Sponsor individually; and
- all directors and executive officers of the Sponsor as a group.

The number of Shares beneficially owned and percentages of beneficial ownership set forth below are based on the number of Shares outstanding as of April 28, 2022 and do not take into account ownership of the Shares held through Cede & Co., a nominee of DTC, for which there is no publicly available information. The number of Shares issued and outstanding as of April 28, 2022 was 6,838,000.

In accordance with the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Beneficial Ownership</u>
Significant Shareholders:		
Digital Currency Group, Inc. ⁽¹⁾⁽²⁾	2,482,022	36.30%
Directors and Executive Officers of the Sponsor:⁽³⁾		
Barry E. Silbert ⁽⁴⁾	1,102,865	16.13%
Mark Murphy	*	*
Michael Sonnenshein	*	*
Edward McGee	*	*
Directors and executive officers of the Sponsor as a group	*	*

- (1) Includes 2,464,152 Shares held by Digital Currency Group, Inc. and 27,870 Shares held by Genesis Global Trading Inc., the Authorized Participant and a wholly owned subsidiary of Digital Currency Group, Inc.
- (2) Barry E. Silbert is the Chief Executive Officer of Digital Currency Group, Inc. and in such capacity has voting and dispositive power over the securities held by such entity.
- (3) The Trust does not have any directors, officers or employees. 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.
- (4) Does not include Shares beneficially owned through Digital Currency Group, Inc.
- * Represents beneficial ownership of less than 1%.

Unless otherwise indicated, the address for each shareholder listed in the table above is c/o Grayscale Investments, LLC, 290 Harbor Drive, 4th Floor, Stamford, CT 06902.

DESCRIPTION OF THE SHARES

General

The Trust is authorized under the Trust Agreement to create and issue an unlimited number of Shares. Shares will be issued only in Baskets (a Basket equals a block of 100 Shares) in connection with creations. The Shares represent units of fractional undivided beneficial interest in and ownership of the Trust and have no par value. The Shares are quoted on OTCQX under the ticker symbol “HZEN.”

Recent Sales of Unregistered Shares

As of December 31, 2021, the Registrant has distributed 6,838,000 Shares at varying prices determined by reference to the Digital Asset Holdings per Share to selected “accredited investors,” within the meaning of Rule 501 of Regulation D under the Securities Act. The Shares were sold in connection with an ongoing offering pursuant to Rule 506(c) of Regulation D under the Securities Act. Genesis acted as the Authorized Participant with respect to these distributions. In exchange for these sales, the Trust received an aggregate of 666,351.02062050 ZEN.

Because Shares have been, and continue to be, created and issued on a periodic basis, a “distribution,” as such term is used in the Securities Act, may be occurring from time to time. As a result, Genesis, as Authorized Participant facilitating the creation of Shares and as distributor and marketer, may be deemed an “underwriter” under Section 2(a)(11) of the Securities Act. No underwriting discounts or commissions were paid to Genesis with respect to such sales.

Description of Limited Rights

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 or remove 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.

Voting and Approvals

The shareholders take no part in the management or control 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.

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 its shareholders’ access to any Incidental Rights or to IR Virtual Currency.

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 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.

Appointment of Agent

Pursuant to the terms of the Trust Agreement, by holding the Shares, shareholders will be deemed to agree that the Sponsor may cause the Trust to appoint an agent (any person appointed in such capacity, 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. The Sponsor may cause the Trust to appoint Grayscale Investments, LLC (acting other than in its capacity as Sponsor) or any of its affiliates to act in such capacity.

Any Agent appointed to facilitate a distribution of Incidental Rights and/or IR Virtual Currency will 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 following receipt of such distribution, will determine, in its 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. If the Agent is able to do so, it will remit the cash proceeds to the record date shareholders. There can be no assurance as to the price or prices for any Incidental Rights and/or IR Virtual Currency that the Agent may realize, and the value of the Incidental Rights and/or IR Virtual Currency may increase or decrease after any sale by the Agent.

Any Agent appointed pursuant to the Trust Agreement will not receive any compensation in connection with its role as agent. However, any Agent will be entitled to receive from the record-date shareholders, out of the distributed Incidental Rights and/or IR Virtual Currency, an amount of 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 the Agent in connection with its activities as agent of the record-date shareholders, including expenses incurred by the Agent in connection with any post-distribution sale of such Incidental Rights and/or IR Virtual Currency.

The Sponsor currently expects to cause the Trust to appoint Grayscale Investments, LLC, acting other than in its capacity as Sponsor, as Agent to facilitate any distribution of Incidental Rights and/or IR Virtual Currency to shareholders. The Trust has no right to receive any information about any distributed Incidental Rights and/or IR Virtual Currency or the disposition thereof from the record date shareholders, their Agent or any other person.

Creation of Shares

The Trust creates Shares such times and for such periods as determined by the Sponsor, but only in one or more whole Baskets. A Basket equals 100 Shares. As of December 31, 2021, each Share represented approximately 0.0918 ZEN. See “Description of Creation of Shares.” The creation of a Basket requires the delivery to the Trust of the number of ZEN represented by one Share immediately prior to such creation multiplied by 100. The Trust may from time to time halt creations for extended periods of time, for a variety of reasons, including in connection forks, airdrops and other similar occurrences.

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. Because the Trust does not believe that the SEC would, at this time,

entertain an application for the waiver of rules needed in order to operate an ongoing 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 in the future, 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—Because of the holding period under Rule 144, the lack of an ongoing redemption program and the Trust’s ability to halt creations from time to time, there is no arbitrage mechanism to keep the value of the Shares closely linked to the Reference Rate Price and the Shares have historically traded at a substantial premium over, or a substantial discount to, the Digital Asset Holdings per Share”, “Risk Factors—Risk Factors Related to the Trust and the Shares—The Shares may trade at a price that is at, above or below the Trust’s Digital Asset Holdings per Share as a result of the non-current trading hours between OTCQX and the Digital Asset Exchange Market” 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

Shares purchased in the private placement 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. In determining whether to grant approval, the Sponsor will specifically look at whether the conditions of Rule 144 under the Securities Act and any other applicable laws have been met. Any attempt to sell Shares without the approval of the Sponsor in its sole discretion will be void *ab initio*.

Pursuant to Rule 144, until the Trust has been subject to the reporting requirements of Section 13 under the Exchange Act for a period of 90 days, a minimum one year holding period will apply to all Shares purchased from the Trust. Thereafter, a minimum six-month holding period will apply to all Shares purchased from the Trust. As a result, Shares purchased in the private placement will be able to have their transfer restriction legends removed sooner and the rate at which Shares are qualified for public trading on OTCQX will increase. Because the rate at which Shares are qualified for public trading on OTCQX will increase, the number of Shares being sold by investors onto OTCQX may increase as well. Any increase in the number of Shares trading on OTCQX may cause the price of the Shares on OTCQX to decline. In addition, the shortened holding period may increase demand for the Shares in the private placement, which may further increase the number of Shares being sold by investors onto OTCQX after they have been held for the holding period.

On a bi-weekly basis, the Trust aggregates the Shares that have been held for the requisite holding period under Rule 144 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, including on OTCQX U.S. Premier marketplace. The outside counsel requires that certain representations be made, providing that:

- the Shares subject to each sale have been held for the requisite holding period under Rule 144 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 are 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 to the applicable Authorized Participant. The Transfer Agent will issue Creation Baskets. Transfers will be made in accordance with standard securities industry practice. The Sponsor may cause the Trust to issue Shares in certificated form in limited circumstances in its sole discretion.

Share Splits

In its discretion, the Sponsor may direct the Transfer Agent to declare a split or reverse split in the number of Shares outstanding and to make a corresponding change in the number of Shares constituting a Basket. For example, if the Sponsor believes that the per Share price in the secondary market for Shares has risen or fallen outside a desirable trading price range, it may declare such a split or reverse split.

CUSTODY OF THE TRUST'S ZEN

Digital assets and digital asset transactions are recorded and validated on blockchains, the public transaction ledgers of a digital asset network. Each digital asset blockchain serves as a record of ownership for all of the units of such digital asset, even in the case of certain privacy-preserving digital assets, where the transactions themselves are not publicly viewable. All digital assets recorded on a blockchain are associated with a public blockchain address, also referred to as a digital wallet. Digital assets held at a particular public blockchain address may be accessed and transferred using a corresponding private key.

Key Generation

Public addresses and their corresponding private keys are generated by the Custodian in secret key generation ceremonies at secure locations inside faraday cages, which are enclosures used to block electromagnetic fields and thus mitigate against attacks. The Custodian uses quantum random number generators to generate the public and private key pairs.

Once generated, private keys are encrypted, separated into “shards”, and then further encrypted. After the key generation ceremony, all materials used to generate private keys, including computers, are destroyed. All key generation ceremonies are performed offline. No party other than the Custodian has access to the private key shards of the Trust.

Key Storage

Private key shards are distributed geographically in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes.

The Digital Asset Account uses offline storage, or “cold storage”, mechanisms to secure the Trust’s private keys. The term cold storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet. Cold storage of private keys may involve keeping such keys on a non-networked (or “air-gapped”) computer or electronic device or storing the private keys on a storage device (for example, a USB thumb drive) or printed medium (for example, papyrus, paper or a metallic object). A digital wallet may receive deposits of digital assets but may not send digital assets without use of the digital assets’ corresponding private keys. In order to send digital assets from a digital wallet in which the private keys are kept in cold storage, either the private keys must be retrieved from cold storage and entered into an online, or “hot”, digital asset software program to sign the transaction, or the unsigned transaction must be transferred to the cold server in which the private keys are held for signature by the private keys and then transferred back to the online digital asset software program. At that point, the user of the digital wallet can transfer its digital assets.

Security Procedures

The Custodian is the custodian of the Trust’s private keys in accordance with the terms and provisions of the Custodian Agreement. Transfers from the Digital Asset Account requires certain security procedures, including but not limited to, multiple encrypted private key shards, usernames, passwords and 2-step verification. Multiple private key shards held by the Custodian must be combined to reconstitute the private key to sign any transaction in order to transfer the Trust’s assets. Private key shards are distributed geographically in secure vaults around the world, including in the United States.

As a result, if any one secure vault is ever compromised, this event will have no impact on the ability of the Trust to access its assets, other than a possible delay in operations, while one or more of the other secure vaults is used instead. These security procedures are intended to remove single points of failure in the protection of the Trust’s assets.

Transfers of ZEN to the Digital Asset Account will be available to the Trust once processed on the Blockchain.

Subject to obtaining regulatory approval to operate a redemption program and authorization of the Sponsor, the process of accessing and withdrawing ZEN from the Trust to redeem a Basket by an Authorized Participant will follow the same general procedure as transferring ZEN to the Trust to create a Basket by an Authorized Participant, only in reverse. See “Description of Creation of Shares.”

DESCRIPTION OF CREATION OF SHARES

The following is a description of the material terms of the Trust Documents as they relate to the creation of the Trust's Shares on a periodic basis from time to time through sales in private placement transactions exempt from the registration requirements of the Securities Act.

The Trust Documents also provide procedures for the redemption of Shares. However, the Trust does not currently operate a redemption program and the Shares are not currently redeemable. 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. Because the Trust does not believe that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing 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 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 ZEN represented by each Basket being created, which is determined by dividing (x) the number of ZEN owned by the Trust at 4:00 p.m., New York time, on the trade date of a creation order, after deducting the number of ZEN representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust (converted using the Reference Rate 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 ZEN (*i.e.*, carried to the eighth decimal place)), and multiplying such quotient by 100 (the "Basket Amount"). All questions as to the calculation of the Basket Amount will be conclusively determined by the Sponsor and will be final and binding on all persons interested in the Trust. The Basket Amount multiplied by the number of Baskets being created is the "Total Basket Amount." The number of ZEN represented by a Share will gradually decrease over time as the Trust's ZEN is used to pay the Trust's expenses. As of December 31, 2021, each Share represented approximately 0.0918 ZEN. Information regarding the Trust's ZEN per Shares is posted to the Trust's website daily at <https://grayscale.com/products/grayscale-horizon-trust/>.

Authorized Participants are the only persons that may place orders to create Baskets. Each Authorized Participant must (i) be a registered broker-dealer, (ii) enter into a Participant Agreement with the Sponsor and (iii) own a ZEN wallet address that is recognized by the Custodian as belonging to the ZEN wallet address that is known to the Custodian as belonging to the Authorized Participant. An Authorized Participant may act for its own account or as agent for investors who have entered into 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, either in U.S. dollars or in ZEN, to the Authorized Participant.

An Investor may pay the subscription amount in cash or ZEN. In the event that the Investor pays the subscription amount in cash, the Authorized Participant purchases ZEN in a Digital Asset Market or, to the extent the Authorized Participant already holds ZEN, the Authorized Participant may sell such ZEN to the Trust. Depending on whether the Investor wires cash to the Authorized Participant before or after 4:00 p.m. New York time, the Investor's Shares will be created based on the same or next Business Day's Digital Asset Holdings and the risk of any price volatility in ZEN during this time will be borne by the Authorized Participant. The Authorized Participant will receive Shares of the Trust, and the Shares will then be registered in the name of the Investor. In the event that the Investor pays the subscription amount in ZEN, the Investor will transfer such ZEN to the Authorized Participant, which will contribute such ZEN in kind to the Trust, and receive Shares of the Trust and the Shares will then be registered in the name of the Investor. For the avoidance of doubt, in either case, the Authorized Participant will act as the agent of the Investor with respect to the contribution of cash or ZEN to the Trust in exchange for Shares.

The creation of Baskets requires the delivery to the Trust of the Total Basket Amount.

The Participant Agreement provides the procedures for the creation of Baskets and for the delivery of the whole and fractional ZEN required for such creations. 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 of Baskets, but there may be transaction fees associated with the validation of the transfer of ZEN by the Horizen Network. Authorized Participants who deposit ZEN 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 of Baskets is only a summary and shareholders 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 Amount from the ZEN wallet address that is known to the Custodian as belonging to the Authorized Participant to the Digital Asset 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 Amount on the same business day, which will be the trade date, and will communicate the Total Basket Amount to the Authorized Participant. The Authorized Participant must transfer the Total Basket 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 ZEN will be borne solely by the Authorized Participant until such ZEN have been received by the Trust.

Following receipt of the Total Basket Amount by the Custodian, 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.

Suspension or Rejection of Orders and Total Basket Amount

The creation of Shares may be suspended generally, or refused with respect to particular requested creations, 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. The Sponsor may reject an order or, after accepting an order, may cancel such order by rejecting the Total Basket Amount if (i) such order is not presented in proper form as described in the Participant Agreement, (ii) the transfer of the Total Basket Amount comes from an account other than a ZEN wallet address that is known to the Custodian as belonging to the Authorized Participant 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 or Total Basket Amount.

In particular, upon the Trust's receipt of any Incidental Rights and/or IR Virtual Currency in connection with a fork, airdrop or similar event, the Sponsor will suspend creations 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 or Total Basket Amount.

Tax Responsibility

Authorized Participants 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 of Baskets, regardless of whether such tax or charge is imposed directly on the Authorized Participant, 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.

VALUATION OF ZEN AND DETERMINATION OF DIGITAL ASSET HOLDINGS

The Sponsor will evaluate the ZEN held by the Trust and determine the Digital Asset 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 ZEN and the Digital Asset 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 ZEN held by the Trust and calculate and publish the Digital Asset Holdings of the Trust. To calculate the Digital Asset Holdings, the Sponsor will:

1. Determine the Reference Rate Price as of such business day.
2. Multiply the Reference Rate Price by the Trust's aggregate number of ZEN owned by the Trust as of 4:00 p.m., New York time, on the immediately preceding day, less the aggregate number of ZEN 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 ZEN, calculated using the Reference Rate 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 Amount and then multiplying such product by the Reference Rate 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 ZEN, calculated using the Reference Rate Price, to be distributed under pending redemption orders, if any, determined by multiplying the number of Baskets to be redeemed represented by such redemption orders by the Basket Amount and then multiplying such product by the Reference Rate Price (the amount derived from steps 1 through 5 above, the "Digital Asset Holdings Fee Basis Amount").
6. Subtract the U.S. dollar amount of the Sponsor's Fee that accrues for such business day, as calculated based on the Digital Asset Holdings Fee Basis Amount for such business day.

In the event that the Sponsor determines that the primary methodology used to determine the Reference Rate Price is not an appropriate basis for valuation of the Trust's ZEN, the Sponsor will utilize the cascading set of rules as described in "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price." In addition, 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 Digital Asset 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 the purposes of determining the Digital Asset Holdings or the Digital Asset Holdings per Share.

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

In the event of a hard fork of the Horizen 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 Horizen Network, is generally accepted as the network for ZEN and should therefore be considered the appropriate network 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 ZEN, users, services, businesses, miners and other constituencies and (ii) the actual continued acceptance of, mining power on, and community engagement with the Horizen 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.

EXPENSES; SALES OF ZEN

Expenses to be Paid by the Sponsor

The Trust pays the Sponsor's Fee to the Sponsor. As partial consideration for its receipt of the Sponsor's Fee from the Trust, the Sponsor is obligated under the Trust Agreement to assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including: (i) the Marketing Fee; (ii) the Administrator Fee, if any; (iii) the Custodian Fee and fees for any other security vendor engaged by the Trust; (iv) the Transfer Agent Fee; (v) the Trustee fee; (vi) 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 registration of the Shares under the Securities Act or the Exchange Act; (x) printing and mailing costs; (xi) the costs of maintaining the Trust's website; and (xii) applicable license fees (each a "Sponsor-paid Expense"), provided that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense. The Sponsor, from time to time, may temporarily waive all or a portion of the Sponsor's Fee of the Trust in its discretion for stated periods of time. Presently, the Sponsor does not intend to waive any of the Sponsor's Fee for the Trust.

The Sponsor's Fee will generally be paid in ZEN. However, if the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may also pay the Sponsor's Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights and/or IR Virtual Currency to the Sponsor at a value to be determined pursuant to such agreement. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not otherwise conflict with the terms of the Trust Agreement. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to a reference rate provided by the Reference Rate Provider or, in the absence of such reference rate, by reference to the cascading set of rules described in "Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price." If the Trust pays the Sponsor's Fee in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ZEN that would otherwise have been used to satisfy such payment will be correspondingly reduced.

After the Trust's payment of the Sponsor's Fee to the Sponsor, the Sponsor may elect to convert the ZEN, Incidental Rights and/or IR Virtual Currency received as payment of the Sponsor's Fee into U.S. dollars. The rate at which the Sponsor converts such ZEN, Incidental Rights and/or IR Virtual Currency 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 ZEN, Incidental Rights and/or IR Virtual Currency received in payment of the Sponsor's Fee into U.S. dollars.

Extraordinary and Other Expenses

In certain extraordinary circumstances, the Trust may incur certain extraordinary, non-recurring expenses that are not Sponsor-paid Expenses, including, but not limited to: taxes and governmental charges; expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of shareholders (including in connection with any Incidental Rights and any IR Virtual Currency); any indemnification of the Custodian or other agents, service providers or counterparties of the Trust; the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year; and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively, "Additional Trust Expenses"). If Additional Trust Expenses are incurred, the Trust will be required to pay these Additional Trust

Expenses by selling or delivering ZEN, Incidental Rights and/or IR Virtual Currency. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to a reference rate provided by the Reference Rate Provider or, in the absence of such reference rate, by reference to the cascading set of rules described in "Overview of Horizon—ZEN Value—The Reference Rate and the Reference Rate Price." If the Trust pays Additional Trust Expenses in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ZEN that would otherwise have been used to satisfy such payment will be correspondingly reduced. See "—Disposition of ZEN, Incidental Rights and/or IR Virtual Currency" for further information on sales or other dispositions of ZEN, Incidental Rights and/or IR Virtual Currency. Although the Sponsor cannot definitively state the frequency or magnitude of Additional Trust Expenses, the Sponsor expects that they may occur infrequently.

The Sponsor or any of its affiliates 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, the Trust Agreement prohibits the Trust from paying 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."

Disposition of ZEN, Incidental Rights and/or IR Virtual Currency

To cause the Trust to pay the Sponsor's Fee, the Sponsor will instruct the Custodian to (i) withdraw from the Digital Asset Account the number of ZEN, Incidental Rights and/or IR Virtual Currency, determined as described above in "Activities of the Trust—Trust Expenses," equal to the accrued but unpaid Sponsor's Fee and (ii) transfer such ZEN, Incidental Rights and/or IR Virtual Currency to an account maintained by the Custodian for the Sponsor at such times as the Sponsor determines in its absolute discretion. In addition, if the Trust incurs any Additional Trust Expenses, the Sponsor or its delegates (i) will instruct the Custodian to withdraw from the Digital Asset Account ZEN, 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 to convert such ZEN, 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 ZEN, Incidental Rights and/or IR Virtual Currency in kind, in each case in such quantity as may be necessary to permit payment of such Additional Trust Expenses. The Sponsor's Fee and Additional Trust Expenses payable by the Trust will generally be paid in ZEN. Shareholders do not have the option of choosing to pay their proportionate shares of Additional Trust Expenses in lieu of having their shares of Additional Trust Expenses paid by the Trust's delivery or disposition of ZEN, Incidental Rights and/or IR Virtual Currency. Assuming that the Trust is a grantor trust for U.S. federal income tax purposes, the transfer or sale of ZEN, Incidental Rights and/or IR Virtual Currency to pay the Trust's expenses will be a taxable event for shareholders. See "Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders."

Because the number of ZEN held by the Trust will decrease as a consequence of the payment of the Sponsor's Fee in ZEN or the sale of ZEN to pay Additional Trust Expenses (and the Trust will incur additional fees associated with converting ZEN into U.S. dollars), the number of ZEN represented by a Share will decline at such time and the Trust's Digital Asset Holdings may also decrease. Similarly, the number (if any) of Incidental Rights and IR Virtual Currency represented by a Share will decrease as a consequence of the use of Incidental Rights and IR Virtual Currency to pay the Sponsor's Fee and Additional Trust Expenses. Accordingly, the shareholders will bear the cost of the Sponsor's Fee and any Additional Trust Expenses. New ZEN deposited into the Digital Asset Account in exchange for additional new Baskets issued by the Trust will not reverse this trend.

The Sponsor will also cause the sale of the Trust's ZEN, Incidental Rights and/or IR Virtual Currency if the Sponsor determines that sale is required by applicable law or regulation or in connection with the termination and liquidation of the Trust. The Sponsor will not be liable or responsible in any way for depreciation or loss incurred by reason of any sale of ZEN, Incidental Rights and/or IR Virtual Currency.

The quantity of ZEN, Incidental Rights or IR Virtual Currency to be delivered to the Sponsor or other relevant payee in payment of the Sponsor's Fee or any Additional Trust Expenses, or sold to permit payment of Additional Trust Expenses, will vary from time to time depending on the level of the Trust's expenses and the value of ZEN, Incidental Rights or IR Virtual Currency held by the Trust. See "Activities of the Trust—Trust Expenses." Assuming that the Trust is a grantor trust for U.S. federal income tax purposes, each delivery or sale of ZEN, Incidental Rights and IR Virtual Currency by the Trust for the payment of expenses will be a taxable event to shareholders. See "Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders."

STATEMENTS, FILINGS AND REPORTS

Statements, Filings and Reports

After the end of each fiscal year, the Sponsor will cause to be prepared an annual report containing audited financial statements prepared in accordance with U.S. GAAP for the Trust. The annual report will be in such form and contain such information as will be required by applicable laws, rules and regulations and may contain such additional information which the Sponsor determines shall be included. The annual report shall be filed with the SEC and OTCQX and shall be distributed to such persons and in such manner, as shall be required by applicable laws, rules and regulations. The Sponsor will also prepare, or cause to be prepared, and file any periodic reports or updates required under the Exchange Act.

The accounts of the Trust will be audited, as required by law and as may be directed by the Sponsor, by independent registered public accountants designated by the Sponsor. The accountants' report will be furnished by the Sponsor to shareholders upon request.

The Sponsor will make elections, file tax returns and prepare, disseminate and file tax reports, as advised by its counsel or accountants and/or as required by any applicable statute, rule or regulation.

Fiscal Year

The fiscal year of the Trust is the period ending September 30 of each year. The Sponsor may select an alternate fiscal year.

DESCRIPTION OF TRUST DOCUMENTS

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

Neither the Sponsor nor the Trust insure the Trust's ZEN. 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.

Under Delaware law, a shareholder may bring a derivative action if the shareholder is a shareholder at the time the action is brought and either (i) was a shareholder at the time of the transaction at issue or (ii) acquired the status of shareholder by operation of law or the Trust's governing instrument from a person who was a shareholder at the time of the transaction at issue. Additionally, Section 3816(e) of the Delaware Statutory Trust Act specifically provides that "a beneficial owner's right to bring a derivative action may be subject to such additional standards and restrictions, if any, as are set forth in the governing instrument of the statutory trust, including, without limitation, the requirement that beneficial owners owning a specified beneficial interest in the statutory trust join in the bringing of the derivative action." In addition to the requirements of applicable law, the Trust Agreement provides that 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" (as defined in the Trust Agreement and below) 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. The Trust selected the 10.0% ownership threshold because the Trust believed that this was a threshold that investors would be comfortable with based on market precedent.

This provision applies to any derivative action brought in the name of the Trust other than claims brought under the federal securities laws or the rules and regulations thereunder, to which Section 7.4 does not apply. Due to this additional requirement, a shareholder attempting to bring a derivative action in the name of the Trust will be required to locate other shareholders with which it is not affiliated and that have sufficient Shares to meet the 10.0% threshold based on the number of Shares outstanding on the date the claim is brought and thereafter throughout the duration of the action, suit or proceeding.

“Affiliate” is defined in the Trust Agreement to mean any natural person, partnership, limited liability company, statutory trust, corporation, association or other legal entity (each, a “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.

Any shareholders seeking to bring a derivative action may determine whether the 10.0% ownership threshold required to bring a derivative action has been met by dividing the number Shares owned by such shareholders by the total number of Shares outstanding. Shareholders may determine the total number of Shares outstanding by reviewing the Trust’s annual filings on Form 10-K, quarterly filings on Form 10-Q and periodic reports on Form 8-K reporting sales of unregistered securities pursuant to Item 3.02 thereof, or by requesting the number of Shares outstanding at any time from the Sponsor pursuant to Sections 7.2 and 8.1 of the Trust Agreement and Section 3819(a) of the DSTA. Because the Trust is a grantor trust, it may only issue one class of securities, the Shares.

The Trust offers Shares on a periodic basis at such times and for such periods as the Sponsor determines in its sole discretion. As a result, in order to maintain the 10.0% ownership threshold required to maintain a derivative action, shareholders may need to increase their holdings or locate additional shareholders during the pendency of a claim. The Trust posts the number of Shares outstanding as of the end of each month on its website and as of the end of each quarter in its annual and quarterly filings with the SEC. The Trust additionally reports sales of unregistered securities on Form 8-K pursuant to Item 3.02 thereof. Shareholders may monitor the number of Shares outstanding at any time for purposes of calculating their ownership threshold by reviewing the Trust’s website and SEC filings and by requesting the number of Shares outstanding on any date from the Sponsor at any time pursuant to Sections 7.2 and 8.1 of the Trust Agreement. Shareholders have the opportunity at any time to increase their holdings or locate other shareholders to maintain the 10.0% threshold throughout the duration of a derivative claim. Shareholders may do so by contacting shareholders that are required to file Schedule 13Ds or Schedule 13Gs with the SEC or by requesting from the Sponsor the list of the names and last known address of all shareholders pursuant to Sections 7.2 and 8.1 of the Trust Agreement and Section 3819(a) of the DSTA.

The Sponsor is not aware of any reason to believe that Section 7.4 of the Trust Agreement is not enforceable under state or federal law. The Court of Chancery of Delaware has stated that “[t]he DSTA is enabling in nature and, as such, permits a trust through its declarations of trust to delineate additional standards and requirements with which a stockholder-plaintiff must comply to proceed derivatively in the name of the trust.” *Hartsel v. Vanguard Group, Inc.*, Del. Ch. June 15, 2011. However, there is limited case law addressing the enforceability of provisions like Section 7.4 under state and federal law and it is possible that this provision would not be enforced by a court in another jurisdiction or under other circumstances.

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 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 it pays on behalf of the Trust.

Successor Sponsors

If the Sponsor is adjudged bankrupt or insolvent, the Trust may dissolve and a Liquidating Trustee may be appointed to 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, Transfer Agent, Custodian or any other person. 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 and that the Trustee is not responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the ZEN 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 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 Digital Currency Group, Inc. 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 Digital Currency Group, Inc. 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, Digital Currency Group, Inc. 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 Digital Currency Group, Inc. 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 180 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 ZEN 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 Reference Rate Price;
- any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust's reasonable efforts to convert ZEN to U.S. dollars; or
- a certificate of dissolution or revocation of the Sponsor's charter is filed (and 90 days have passed since 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, not including Shares held by the Sponsor and its affiliates, 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;
- the Custodian resigns or is removed without replacement;

- all of the Trust's assets are sold;
- the Sponsor determines that the aggregate net assets of the Trust in relation to the expenses of the Trust make it unreasonable or imprudent to continue the affairs of 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 Sponsor may determine that it is desirable or advisable to discontinue the affairs of the Trust for a variety of reasons. For example, the Sponsor may terminate the Trust if some or all of the digital assets held by such Trust were asserted, or ultimately determined, to be securities under the federal securities laws by the SEC or a federal court.

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 ZEN, Incidental Rights and/or IR Virtual Currency, at the sole discretion of the Sponsor, after the Sponsor has sold the Trust's ZEN, 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 Digital Asset Markets to liquidate the Trust's ZEN 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

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.

Description of the Custodian Agreement

The Custodian Agreement establishes the rights and responsibilities of the Custodian, Sponsor, Trust and Authorized Participants with respect to the Trust's ZEN in the Digital Asset Account, which is maintained and operated by the Custodian on behalf of the Trust. For a general description of the Custodian's obligations, see "The Custodian."

Account; Location of ZEN

The Trust's Digital Asset Account is a segregated custody account controlled and secured by the Custodian to store private keys, which allow for the transfer of ownership or control of the Trust's ZEN, on the Trust's behalf. Private key shards associated with the Trust's ZEN are distributed geographically by the Custodian in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes. The Custodian requires written approval of the Trust prior to changing the location of the private key shards, and therefore the Trust's ZEN, including to a different state. The Digital Asset Account uses offline storage, or cold storage, mechanisms to secure the Trust's private keys. The term cold storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet.

ZEN in the Digital Asset Account are not treated as general assets of the Custodian. Rather, the Custodian serves as a fiduciary and custodian on the Trust's behalf, and the ZEN in the Digital Asset Account are considered fiduciary assets that remain the Trust's property at all times.

Safekeeping of ZEN

The Custodian will use best efforts to keep in safe custody on behalf of the Trust all ZEN received by the Custodian. All ZEN credited to the Digital Asset Account will (i) be held in the Digital Asset Account at all times, and the Digital Asset Account will be controlled by the Custodian; (ii) be labeled or otherwise appropriately identified as being held for the Trust; (iii) be held in the Digital Asset Account on a non-fungible basis; (iv) not be commingled with other digital assets held by the Custodian, whether held for the Custodian's own account or the account of other clients other than the Trust; (v) not without the prior written consent of the Trust be deposited or held with any third-party depository, custodian, clearance system or wallet; and (vi) for any Digital Asset Account maintained by the Custodian on behalf of the Trust, the Custodian will use best efforts to keep the private key or keys secure, and will not disclose such keys to the Trust, the Sponsor or to any other individual or entity except to the extent that any keys are disclosed consistent with a standard of best efforts and as part of a multiple signature solution that would not result in the Trust or the Sponsor "storing, holding, or maintaining custody or control of" the ZEN "on behalf of others" within the meaning of the New York BitLicense Rule (23 NYCRR Part 200) as in effect as of June 24, 2015 such that it would require the Trust or the Sponsor to become licensed under such law.

Insurance

Pursuant to the terms of the Custodian Agreement, the Custodian is required to have insurance coverage to protect against risks such as theft of funds. The Custodian has advised the Sponsor that it has insurance coverage pursuant to policies held by Coinbase Global, Inc. ("Coinbase"), which procures fidelity (or crime) insurance coverage of up to \$320 million. This insurance coverage is limited to losses of the digital assets the Custodian custodies on behalf of its clients, including the Trust's ZEN, resulting from theft, including internal theft by employees of Coinbase and its subsidiaries and theft or fraud by a director of Coinbase if the director is acting in the capacity of an employee of Coinbase or its subsidiaries.

Deposits, Withdrawals and Storage; Access to the Digital Asset Account

The Custodial Services (i) allow ZEN to be deposited from a public blockchain address to the Digital Asset Account and (ii) allow the Trust or Sponsor to withdraw ZEN from the Digital Asset Account to a public blockchain address the Trust or the Sponsor controls (each such transaction is a "Custody Transaction").

The Custodian reserves the right to refuse to process or to cancel any pending Custody Transaction as required by law or in response to a subpoena, court order, or other binding government order or to enforce transaction, threshold, and condition limits, in each case as communicated to the Trust and the Sponsor as soon

as reasonably practicable where the Custodian is permitted to do so, or if the Custodian reasonably believes that the Custody Transaction may violate or facilitate the violation of an applicable law, regulation or applicable rule of a governmental authority or self-regulatory organization. The Custodian may suspend or restrict the Trust's and Sponsor's access to the Custodial Services, and/or deactivate, terminate or cancel the Digital Asset Account if the Trust or Sponsor has taken certain actions, including any Prohibited Use or Prohibited Business as set forth in the Custodian Agreement.

From the time the Custodian has verified the authorization of a complete set of instructions to withdraw ZEN from the Digital Asset Account, the Custodian will have up to forty-eight (48) hours to process and complete such withdrawal. The Custodian will ensure that initiated deposits are processed in a timely manner but the Custodian makes no representations or warranties regarding the amount of time needed to complete processing which is dependent upon many factors outside of the Custodian's control.

Subject to certain exceptions in the Custodian Agreement, the Trust, the Sponsor and their authorized representatives will be able to access the Digital Asset Account via the Custodian's website 99.9% of the time (excluding scheduled maintenance) in order to check information about the Digital Asset Account, deposit ZEN to the Digital Asset Account or initiate a Custody Transaction (subject to the timing described above).

The Custodian makes no other representations or warranties with respect to the availability and/or accessibility of ZEN or the availability and/or accessibility of the Digital Asset Account or Custodial Services.

Subject to any legal and regulatory requirements, in order to support the Trust's ordinary course of deposits and withdrawals, which involves, or will in the future involve, deposits from and withdrawals to ZEN accounts owned by any Authorized Participant, the Custodian will use commercially reasonable efforts to cooperate with the Trust and Sponsor to design and put in place via the Custodial Services a secure procedure to allow Authorized Participants to receive a ZEN address for deposits by Authorized Participants, and to initiate withdrawals to ZEN addresses controlled by Authorized Participants.

The Custodian Agreement further provides that the Trust's and the Sponsor's auditors or third-party accountants upon reasonable notice, have inspection rights to visit and inspect the Digital Asset Account. Such auditors or third-party accountants are not obligated under the Custodian Agreement to exercise their inspection rights.

Security of the Account

The Custodian securely stores all digital asset private keys held by the Custodian in offline storage. Under the Custodian Agreement, the Custodian must use best efforts to keep private and public keys secure, and may not disclose private keys to the Sponsor, Trust or any other individual or entity.

The Custodian has implemented and will maintain a reasonable information security program that includes policies and procedures that are reasonably designed to safeguard the Custodian's electronic systems and the Trust's and the Sponsor's confidential information from, among other things, unauthorized access or misuse. In the event of a Data Security Event (as defined below), the Custodian will promptly (subject to any legal or regulatory requirements) notify the Trust and the Sponsor. "Data Security Event" is defined as any event whereby (a) an unauthorized person (whether within the Custodian or a third party) acquired or accessed the Trust's or the Sponsor's information, (b) the Trust's or the Sponsor's information is otherwise lost, stolen or compromised or (c) the Custodian's Chief Information Security Officer, or other senior security officer of a similar title, is no longer employed by the Custodian.

Record Keeping; Inspection and Auditing

The Custodian will keep timely and accurate records of its services pursuant to the Custodian Agreement, and such records must be retained by the Custodian for no less than seven years. The Custodian Agreement also

provides that the Custodian will permit, to the extent it may legally do so, the Trust's or the Sponsor's auditors or third-party accountants, upon reasonable notice, to inspect, take extracts from and audit the records that it maintains, take such steps as necessary to verify that satisfactory internal control system and procedures are in place, and visit and inspect the systems on which the ZEN is held, all at such times as the Trust or the Sponsor may reasonably request. The Custodian is obligated to provide a copy of any audit report prepared by its internal or independent auditors to the Trust or the Sponsor.

The Trust and the Sponsor obtain and perform a comprehensive review of the Services Organization Controls ("SOC") 1 report and SOC 2 each year. For additional information, see "Description of Trust Documents—Description of the Custodian Agreement—Annual Certificate and Report." In addition to the review of SOC 1 and SOC 2 reports, the Trust, the Sponsor and/or their respective auditors may inspect or audit the Custodian's records in a variety of manners if considered necessary. Such processes, may include validating the existence balances as reflected on the Custodian's user interface to nodes of the underlying blockchain and confirming that such digital assets are associated with its public keys to validate the existence and exclusive ownership of the digital assets. To validate software functionality of the private keys, the Trust may transfer a portion of its digital assets from one public key to another public key of the Trust.

The Trust, the Sponsor and their independent auditors may evaluate the Custodian's protection of private keys and other customer information, including review of supporting documentation related to the processes surrounding key lifecycle management, the key generation process (hardware, software, and algorithms associated with generation) the infrastructure used to generate and store private keys, how private keys are stored (for example, cold wallets), the segregation of duties in the authorization of digital asset transactions, and the number of users required to process a transaction and the monitoring of addresses for any unauthorized activity. For additional information, see "Custody of the Trust's ZEN."

Annual Certificate and Report

Once each calendar year, the Sponsor or Trust may request that the Custodian deliver a certificate signed by a duly authorized officer to certify that the Custodian has complied and is currently in compliance with the Custodian Agreement and that all representations and warranties made by the Custodian in the Custodian Agreement are true and correct on and as of the date of such certificate, and have been true and correct throughout the preceding year.

Once each calendar year, the Trust and the Sponsor will be entitled to request that the Custodian produce or commission a new Services Organization Controls ("SOC") 1 report and SOC 2 report, and promptly deliver to the Trust and the Sponsor a copy thereof by December 31 of each year. The Custodian reserves the right to combine the SOC 1 and SOC 2 reports into a comprehensive report. In the event that the Custodian does not deliver a SOC 1 Report or SOC 2 Report, as applicable, the Sponsor and the Trust will be entitled to terminate the Agreement.

Standard of Care; Limitations of Liability

The Custodian will use best efforts to keep in safe custody on behalf of the Trust all ZEN received by the Custodian. The Custodian is liable to the Sponsor and the Trust for the loss of any ZEN to the extent that the Custodian directly caused such loss (including if the Trust or the Sponsor is not able to timely withdraw ZEN from the Digital Asset Account according to the Custodian Agreement or as a result of the Custodian's errors in executing a transaction on behalf of the Trust), even if the Custodian meets its duty of exercising best efforts, and the Custodian is required to return to the Trust a quantity equal to the quantity of any such lost ZEN.

The Custodian's or Trust's total liability under the Custodian Agreement will never exceed the value of the ZEN on deposit in the Digital Asset Account at the time of, and directly relating to, the events giving rise to the liability occurred, the value of which will be determined in accordance with the Custodian Agreement. In

addition, for as long as a cold storage address holds ZEN with a value in excess of the Cold Storage Threshold for a period of five consecutive business days or more without being reduced to the Cold Storage Threshold or lower, the Custodian's maximum liability for such cold storage address shall be limited to the Cold Storage Threshold. The Sponsor monitors the value of ZEN deposited in cold storage addresses for whether the Cold Storage Threshold has been met by determining the U.S. dollar value of ZEN deposited in each cold storage address on business days. Although the Cold Storage Threshold has never been met for a given cold storage address, to the extent it is met and not reduced within five business days, the Trust would not have a claim against the Custodian with respect to the digital assets held in such address to the extent the value exceeds the Cold Storage Threshold.

The Custodian or Trust are not liable to each other for any lost profits or any special, incidental, indirect, intangible, or consequential damages, whether based in contract, tort, negligence, strict liability or otherwise, and whether or not the Custodian has been advised of such losses or the Custodian knew or should have known of the possibility of such damages.

Furthermore, the Custodian is not liable for delays, suspension of operations, whether temporary or permanent, failure in performance, or interruption of service which result directly or indirectly from any cause or condition beyond the reasonable control of the Custodian, including but not limited to, any delay or failure due to any act of God, natural disasters, act of civil or military authorities, act of terrorists, including but not limited to cyber-related terrorist acts, hacking, government restrictions, exchange or market rulings, civil disturbance, war, strike or other labor dispute, fire, interruption in telecommunications or Internet services or network provider services, failure of equipment and/or software, other catastrophe or any other occurrence which is beyond the reasonable control of the Custodian and will not affect the validity and enforceability of any remaining provisions. For the avoidance of doubt, a cybersecurity attack, hack or other intrusion by a third party or by someone associated with the Custodian is not a circumstance that is beyond the Custodian's reasonable control, to the extent due to the Custodian's failure to comply with its obligations under the Custodian Agreement.

The Custodian does not bear any liability, whatsoever, for any damage or interruptions caused by any computer viruses, spyware, scareware, Trojan horses, worms or other malware that may affect the Sponsor's or the Trust's computer or other equipment, or any phishing, spoofing or other attack, unless such damage or interruption originated from the Custodian due to its gross negligence, fraud, willful misconduct or breach of the Custodian Agreement.

Indemnity

Each of the Custodian and the Trust has agreed to indemnify and hold harmless the other such parties from any third-party claim or third-party demand (including reasonable and documented attorneys' fees and any fines, fees or penalties imposed by any regulatory authority) arising out of the Custodian's or the Trust's, as the case may be, breach of the Custodian Agreement, inaccuracy in any of the Custodian's or the Trust's, as the case may be, representations or warranties in the Custodian Agreement, or the Custodian's or the Trust's, as the case may be, knowing, in the case of the Custodian, violation of any law, rule or regulation, or the rights of any third party, except where such claim directly results from the gross negligence, fraud or willful misconduct of the other such party.

Fees and Expenses

The Custodian Fee is an annualized fee charged monthly that is a percentage of the Trust's monthly assets under custody. Following the third anniversary of the Custodian Agreement, the fee may be adjusted by the Custodian with at least six months' advance notice. Any changes to the fee will be agreed to by the Trust and the Sponsor and the Custodian in writing. To the extent the parties cannot reach an agreement regarding any modifications in pricing, either party may elect to terminate the Custodian Agreement. It is the Trust's and the Sponsor's sole responsibility to determine whether, and to what extent, any taxes apply to any deposits or withdrawals conducted through the Custodial Services.

Term; Renewal

Subject to each party's termination rights, the Custodian Agreement is for a term of three years. Thereafter, the Custodian Agreement automatically renews for successive terms of one year, unless either party elects not to renew, by providing no less than thirty days' written notice to the other party prior to the expiration of the then-current term, or unless terminated earlier as provided herein.

Termination

During the Initial Term, either party may terminate the Custodian Agreement for Cause (as defined below) at any time by written notice to the other party, effective immediately, or on such later date as may be specified in the notice. "Cause" is defined as if: (i) such other party commits any material breach of any of its obligations under the Custodian Agreement; (ii) such other party is adjudged bankrupt or insolvent, or there is commenced against such party a case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or such party files an application for an arrangement with its creditors, seeks or consents to the appointment of a receiver, administrator or other similar official for all or any substantial part of its property, admits in writing its inability to pay its debts as they mature, or takes any corporate action in furtherance of any of the foregoing, or fails to meet applicable legal minimum capital requirements; or (iii) with respect to the Trust's and the Sponsor's right to terminate, any applicable law, rule or regulation or any change therein or in the interpretation or administration thereof has or may have a material adverse effect on the rights of the Trust, the Sponsor or any of their respective beneficiaries with respect to any services covered by the Custodian Agreement.

After the initial term, either party may terminate the Custodian Agreement (i) upon ninety (90) days' prior written notice to the other party and (ii) for Cause at any time by written notice to the other party, effective immediately, or on such later date as may be specified in the notice.

Notwithstanding the foregoing, the Sponsor and the Trust may cancel the Digital Asset Account at any time by withdrawing all balances and contacting the Custodian. Upon termination of the Custodian Agreement, the Custodian will promptly upon the Sponsor's or the Trust's order deliver or cause to be delivered all digital assets held or controlled by the Custodian as of the effective date of termination, together with such copies of the records maintained pursuant to the Custodian Agreement and as the Sponsor and the Trust requests in writing.

Governing Law

The Custodian Agreement is governed by New York law.

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. Shareholders 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, if the Trust is a grantor trust, each beneficial owner of Shares will be treated as directly owning its *pro rata* share of the Trust's assets and a *pro rata* portion of the Trust's income, gain, losses and deductions will "flow through" to each beneficial owner of Shares.

If the IRS were to disagree with, and successfully challenge, certain positions the trust may take, including with respect to Incidental Rights and IR Virtual Currency, the Trust might not qualify as a grantor trust. In addition, the Sponsor has delivered the Pre-Creation Abandonment Notice to the Custodian, stating that the Trust is irrevocably abandoning, effective immediately prior to each Creation Time, all Incidental Rights or IR Virtual Currency to which it would otherwise be entitled as of such time and with respect to which it has not taken any

Affirmative Action at or prior to such time. There can be no complete assurance that these abandonments will be treated as effective for U.S. federal income tax purposes. If the Trust were treated as owning any asset other than ZEN 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.

Because of the evolving nature of digital assets, it is not possible to predict potential future developments that may arise with respect to digital assets, including forks, airdrops and other similar occurrences. Assuming that the Trust is currently 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.

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 assets 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 of the recognition of taxable income or loss. 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 the 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. Any such dividend distributed to a beneficial owner of Shares that is a non-U.S. person for U.S. federal income tax purposes would be subject to U.S. federal withholding tax at a rate of 30% (or such lower rate as provided in an applicable tax treaty).

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 Assets

Each beneficial owner of Shares will be treated for U.S. federal income tax purposes as the owner of an undivided interest in the ZEN (and any Incidental Rights and/or IR Virtual Currency) held in the Trust. Due to the new and evolving nature of digital assets and the absence of comprehensive guidance with respect to digital assets, many significant aspects of the U.S. federal income tax treatment of digital assets are uncertain.

In 2014, the Internal Revenue Service ("IRS") released a notice (the "Notice") discussing certain aspects of the treatment of "convertible virtual currency" (that is, digital assets that have an equivalent value in fiat currency or that act as substitutes for fiat currency) for U.S. federal income tax purposes. In the Notice, the IRS stated that, for U.S. federal income tax purposes, such digital assets (i) are "property," (ii) are not "currency" for purposes of the provisions of the Code relating to foreign currency gain or loss and (iii) may be held as a capital asset. In 2019, the IRS released a revenue ruling and a set of "Frequently Asked Questions" (the "Ruling & FAQs") that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital assets are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital assets. However, the Notice and the Ruling & FAQs do not address other significant aspects of the U.S. federal income tax treatment of digital assets. Moreover, although the Ruling & FAQs address the treatment of hard forks, there continues to be significant uncertainty with respect to the timing and amount of the income inclusions. While the Ruling & FAQs do not address most situations in which airdrops occur, it is clear from the reasoning of the Ruling & FAQs that the IRS generally would treat an airdrop as a taxable event giving rise to ordinary income.

There can be no assurance that the IRS will not alter its position with respect to digital assets in the future or that a court would uphold the treatment set forth in the Notice and the Ruling & FAQs. It is also unclear what additional guidance on the treatment of digital assets for U.S. federal income tax purposes may be issued in the

future. Any such alteration of the current IRS positions or additional guidance could result in adverse tax consequences for shareholders and could have an adverse effect on the prices of digital assets, including the price of ZEN in the Digital Asset Market, and therefore could have an adverse effect on the value of Shares. Future developments that may arise with respect to digital assets may increase the uncertainty with respect to the treatment of digital assets for U.S. federal income tax purposes. For example, the Notice addresses only digital assets that are “convertible virtual currency,” and it is conceivable that, as a result of a fork, airdrop or similar occurrence, a Trust will hold certain types of digital assets that are not within the scope of the Notice.

The remainder of this discussion assumes that ZEN, and any Incidental Rights or IR Virtual Currency that the Trust may hold, is properly treated for U.S. federal income tax purposes as property that may be held as a capital asset and that is not currency for purposes of the provisions of the Code relating to foreign currency gain and loss.

Shareholders are urged to consult their tax advisers regarding the tax consequences of an investment in the Trust and in digital assets in general, including, in the case of shareholders that are generally exempt from U.S. federal income taxation, whether such shareholders may recognize “unrelated business taxable income” (“UBTI”) as a consequence of a fork, airdrop or similar occurrence.

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 ZEN. The uncertainties with respect to the treatment of digital assets for U.S. federal income tax purposes, described above, apply to Incidental Rights and IR Virtual Currency, as well as to ZEN. As described above, the Notice addressed only digital assets that are “convertible virtual currency,” defined as digital assets that have an equivalent value in fiat currency or that act as substitutes 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.

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 occurrence related to its ownership of ZEN. As described above, the Ruling & FAQs include guidance to the effect that, under certain circumstances, forks (and, presumably, airdrops) of digital assets are taxable events giving rise to ordinary income, but there continues to be uncertainty with respect to the timing and amount of the income inclusions. 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. 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 ZEN. 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 ZEN. 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 ZEN, 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.

Except as specifically noted, the discussion below assumes that each U.S. Holder will acquire all of its Shares on the same date for the same price per Share and either solely for cash or solely for ZEN that were originally acquired by the U.S. Holder for cash on the same date.

As discussed in the section entitled “Description of Creation of Shares,” a U.S. Holder may be able to acquire Shares of the Trust by contributing ZEN in-kind to the Trust (either directly or through an Authorized Participant acting as agent of the U.S. Holder). Assuming that the Trust is properly treated as a grantor trust for U.S. federal income tax purposes, such a contribution should not be a taxable event to the U.S. Holder.

For U.S. federal income tax purposes, each U.S. Holder will be treated as owning an undivided interest in the ZEN 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 solely for cash, (i) the U.S. Holder’s initial tax basis in its pro rata share of the ZEN held in the Trust will be equal to the amount paid for the Shares and (ii) the U.S. Holder’s holding period for its pro rata share of such ZEN will begin on the date of such purchase. When a U.S. Holder acquires Shares in exchange for ZEN, (i) the U.S. Holder’s initial tax basis in its pro rata share of the ZEN held in the Trust will be equal to the U.S. Holder’s tax basis in the ZEN that the U.S. Holder transferred to the Trust and (ii) the U.S. Holder’s holding period for its pro rata share of such ZEN generally will include the period during which the U.S. Holder held the ZEN that the U.S. Holder transferred to the Trust. The Ruling & FAQs confirm that if a taxpayer acquires tokens of a digital asset at different times and for different prices, the taxpayer has a separate tax basis in each lot of such tokens. Under the Ruling & FAQs, if a U.S. Holder that owns more than one lot of ZEN contributes a portion of its ZEN to the Trust in exchange for Shares, the U.S. Holder may designate the lot(s) from which such contribution will be made, provided that the U.S. Holder is able to identify specifically which ZEN it is contributing and to substantiate its tax basis in those ZEN. In general, if a U.S. Holder acquires Shares (i) solely for cash at different prices, (ii) partly for cash and partly in exchange for a contribution of ZEN or (iii) in exchange for a contribution of ZEN with different tax bases, the U.S. Holder’s share of the Trust’s ZEN will consist of separate lots with separate tax bases. In addition, in this situation, the U.S. Holder’s holding period for the separate lots may be different. In addition, the IR Virtual Currency that the Trust acquires in a hard fork or airdrop that is treated as a taxable event will constitute a separate lot with a separate tax basis and holding period.

When the Trust transfers ZEN to the Sponsor as payment of the Sponsor’s Fee, or sells ZEN to fund payment of any Additional Trust Expenses, each U.S. Holder will be treated as having sold its *pro rata* share of those ZEN for their fair market value at that time (which, in the case of ZEN 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 ZEN transferred and (ii) the U.S. Holder's tax basis for its *pro rata* share of the ZEN transferred. Any such gain or loss will be short-term capital gain or loss if the U.S. Holder's holding period for its *pro rata* share of the ZEN is one year or less and long-term capital gain or loss if the U.S. Holder's holding period for its *pro rata* share of the ZEN is more than one year. A U.S. Holder's tax basis in its *pro rata* share of any ZEN 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 ZEN held in the Trust immediately prior to the transfer by a fraction the numerator of which is the amount of ZEN transferred and the denominator of which is the total amount of ZEN 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 ZEN remaining in the Trust will be equal to the tax basis of its *pro rata* share of the ZEN held in the Trust immediately prior to the transfer, less the portion of that tax basis allocable to its *pro rata* share of the ZEN transferred.

As noted above, the IRS has taken the position in the Ruling & FAQs that, under certain circumstances, a hard fork of a digital asset constitutes a taxable event giving rise to ordinary income, and it is clear from the reasoning of the Ruling & FAQs that the IRS generally would treat an airdrop as a taxable event giving rise to ordinary income. Under the Ruling & FAQs, a U.S. Holder will have a basis in any IR Virtual Currency received in a fork or airdrop equal to the amount of income the U.S. Holder recognizes as a result of such fork or airdrop and the U.S. Holder's holding period for such IR Virtual Currency will begin as of the time it recognizes such income.

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 ZEN 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 ZEN held in the Trust that is attributable to the Shares that were sold or otherwise subject to a disposition. 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 ZEN 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 (such fraction, expressed as a percentage, the "Share Percentage"). If the U.S. Holder's share of the Trust's ZEN consists of separate lots with separate tax bases and/or holding periods, the U.S. Holder will be treated as having sold the Share Percentage of each such lot. 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's holding period for the ZEN underlying such Shares is one year or less and long-term capital gain or loss if the U.S. Holder's holding period for the ZEN underlying such Shares is more than one year. The deductibility of capital losses is subject to significant limitations.

After any sale 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 ZEN held in the Trust immediately after the disposition will equal the tax basis in its *pro rata* share of the total amount of the ZEN 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.

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.

In the absence of guidance to the contrary, it is possible that any income recognized by a U.S. tax-exempt shareholder as a consequence of a hard fork, airdrop or similar occurrence would constitute UBTI. A tax-exempt shareholder should consult its tax adviser regarding whether such shareholder may recognize some UBTI as a consequence of an investment in Shares.

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. Shareholders 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 ZEN in payment of the Sponsor's Fee or any Additional Trust Expense or on the Trust's sale or other disposition of ZEN. In addition, assuming that the Trust holds no asset other than ZEN, 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 or other disposition 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.

Provided that it does not constitute income that is treated as "effectively connected" with the conduct of a trade or business in the United States, U.S.-source "fixed or determinable annual or periodical" ("FDAP") income received, or treated as received, by a non-U.S. Holder will generally be subject to U.S. withholding tax at the rate of 30% (subject to possible reduction or elimination pursuant to an applicable tax treaty and to statutory exemptions such as the portfolio interest exemption). Although there is no guidance on point, it is likely that any ordinary income recognized by a non-U.S. Holder as a result of a fork, airdrop or similar occurrence would constitute FDAP income. It is unclear, however, whether any such FDAP income would be properly treated as U.S.-source or foreign-source FDAP income. Non-U.S. Holders should assume that, in the absence of guidance, a withholding agent (including the Sponsor) is likely to withhold 30% from a non-U.S. Holder's *pro rata* share of any such income, including by deducting such withheld amounts from proceeds that such non-U.S. Holder would otherwise be entitled to receive in connection with a distribution of Incidental Rights, IR Virtual Currency or proceeds from the disposition of Incidental Rights or IR Virtual Currency. A non-U.S. Holder that is a resident of a country that maintains an income tax treaty with the United States may be eligible to claim the benefits of that treaty to reduce or eliminate, or to obtain a partial or full refund of, the 30% U.S. withholding tax on its share of any such income, but only if the non-U.S. Holder's home country treats the Trust as "fiscally transparent," as defined in applicable Treasury regulations.

Although the nature of the Incidental Rights and IR Virtual Currency that the Trust may hold in the future is uncertain, it is unlikely that any such asset would give rise to income that is treated as "effectively connected" with the conduct of a trade or business in the United States or that any income derived by a non-U.S. Holder from any such asset would otherwise be subject to U.S. income or withholding tax, except as discussed above in connection with the fork, airdrop or similar occurrence giving rise to Incidental Rights or IR Virtual Currency. There can, however, be no complete assurance in this regard.

In order to prevent the possible imposition of U.S. “backup” withholding and (if applicable) to qualify for a reduced rate of withholding tax at source under a treaty, a non-U.S. Holder must comply with certain certification requirements (generally, by delivering a properly executed IRS Form W-8BEN or W-8BEN-E to the relevant withholding agent).

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.

FATCA

As discussed above, it is unclear whether any ordinary income recognized by a non-U.S. Holder as a result of a fork, airdrop or similar occurrence would constitute U.S.-source FDAP income. Provisions of the Code commonly referred to as “FATCA” require withholding of 30% on payments of U.S.-source FDAP income and, subject to the discussion of proposed U.S. Treasury regulations below, of gross proceeds of dispositions of certain types of property that produce U.S.-source FDAP income to “foreign financial institutions” (which is broadly defined for this purpose and in general includes investment vehicles) and certain other non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied, or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. In addition, regulations proposed by the U.S. Treasury Department (the preamble to which indicates that taxpayers may rely on the regulations pending their finalization) would eliminate the requirement under FATCA of withholding on gross proceeds. If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution generally may obtain a refund of any amounts withheld by filing a U.S. federal income tax return (which may entail significant administrative burden). Shareholders should consult their tax advisers regarding the effects of FATCA on an investment in the Trust.

ERISA AND RELATED CONSIDERATIONS

The following section sets forth certain consequences under ERISA and the Code which a fiduciary of an “employee benefit plan” as defined in and subject to the fiduciary responsibility provisions of ERISA, or of a “plan” as defined in and subject to Section 4975 of the Code, who has investment discretion should consider before deciding to acquire Shares with plan assets (such “employee benefit plans” and “plans” being referred to herein as “Plans,” and such fiduciaries with investment discretion being referred to herein as “Plan Fiduciaries”). The following summary is not intended to be complete, but only to address certain questions under ERISA and the Code that are likely to be raised by the Plan Fiduciary’s own counsel.

* * *

In general, the terms “employee benefit plan” as defined in ERISA and “plan” as defined in Section 4975 of the Code together refer to any plan or account of various types which provides retirement benefits or welfare benefits to an individual or to an employer’s employees and their beneficiaries. Such plans and accounts include, but are not limited to, corporate pension and profit sharing plans, “simplified employee pension plans,” Keogh plans for self-employed individuals (including partners), individual retirement accounts described in Section 408 of the Code and medical benefit plans.

Each Plan Fiduciary must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Trust, including the role an investment in the Trust plays in the Plan’s investment portfolio. Each Plan Fiduciary must be satisfied that investment in the Trust is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Trust, are diversified so as to minimize the risks of large losses and that an investment in the Trust complies with the documents of the Plan and related trust and that an investment in the Trust does not give rise to a transaction prohibited by Section 406 of ERISA or Section 4975 of the Code.

Governmental plans, non-U.S. plans and certain church plans, while generally not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or Section 4975 of the Code, may be subject to provisions under other U.S. or non-U.S. federal, state, local or other laws or regulations that are similar to such provisions of ERISA or the Code. Fiduciaries of such plans should consider the consequences of an investment in the Trust under any such applicable similar laws or regulations before acquiring any Shares.

EACH PLAN FIDUCIARY CONSIDERING ACQUIRING SHARES MUST CONSULT ITS OWN LEGAL AND TAX ADVISERS BEFORE DOING SO.

Restrictions on Investments by Benefit Plan Investors

ERISA and a regulation issued thereunder contain rules for determining when an investment by a Plan in an entity will result in the underlying assets of the entity being deemed assets of the Plan for purposes of ERISA and Section 4975 of the Code (*i.e.*, “plan assets”). Those rules provide that the assets of an entity will not be deemed “plan assets” of a Plan that purchases an interest therein if the investment in the entity by all “benefit plan investors” is not “significant” or certain other exceptions apply. The term “benefit plan investors” includes all Plans (*i.e.*, all “employee benefit plans” as defined in and subject to the fiduciary responsibility provisions of ERISA and all “plans” as defined in and subject to Section 4975 of the Code) and all entities that hold “plan assets” (each, a “Plan Assets Entity”) due to investments made in such entities by already described benefit plan investors. ERISA provides that a Plan Assets Entity is considered to hold plan assets only to the extent of the percentage of the Plan Assets Entity’s equity interests held by benefit plan investors. In addition, all or part of an investment made by an insurance company using assets from its general account may be treated as a benefit plan investor. Investments by benefit plan investors will be deemed not significant if benefit plan investors own, in the aggregate, less than 25% of the total value of each class of equity interests of the entity (determined by not including the investments of persons with discretionary authority or control over the assets of such entity, of any

person who provides investment advice for a fee (direct or indirect) with respect to such assets, and “affiliates” (as defined in the regulations issued under ERISA) of such persons; provided, however, that under no circumstances are investments by benefit plan investors excluded from such calculation).

In order to avoid causing assets of the Trust to be “plan assets,” the Sponsor intends to restrict the aggregate investment by “benefit plan investors” to under 25% of the total value of the Shares of the Trust (not including the investments of the Trustee, the Sponsor, the distributor, any other person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Trust, any other person who has discretionary authority or control over the assets of the Trust, and any entity (other than a benefit plan investor) that is directly or indirectly through one or more intermediaries controlling, controlled by or under common control with any of such entities (including a partnership or other entity for which the Sponsor is the general partner, managing member, investment adviser or provides investment advice), and each of the principals, officers, and employees of any of the foregoing entities who has the power to exercise a controlling influence over the management or policies of such entity or the Trust). Furthermore, because the 25% test is ongoing, it not only restricts additional investments by benefit plan investors, but also can cause the Sponsor to require that existing benefit plan investors redeem from the Trust in the event that other investors redeem their Shares. If rejection of subscriptions or such compulsory redemptions are necessary, as determined by the Sponsor, to avoid causing the assets of the Trust to be “plan assets,” the Sponsor will effect such rejections or redemptions in such manner as the Sponsor, in its sole discretion, determines.

Ineligible Purchasers

In general, Shares may not be purchased with the assets of a Plan if the Trustee, the Sponsor, the distributor, any placement agent, any of their respective affiliates or any of their respective employees either: (i) has investment discretion with respect to the investment of such Plan assets; (ii) has authority or responsibility to give or regularly gives investment advice with respect to such Plan assets, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such Plan assets and that such advice will be based on the particular investment needs of the Plan; or (iii) is an employer maintaining or contributing to such Plan. A party that is described in clause (i) or (ii) of the preceding sentence is a fiduciary under ERISA and the Code with respect to the Plan, and any such purchase (as described in clause (i), (ii) or (iii)) could result in a “prohibited transaction” under ERISA and the Code.

Except as otherwise set forth, the foregoing statements regarding the consequences under ERISA and the Code of an investment in the Trust are based on the provisions of ERISA and the Code as currently in effect, and the existing administrative and judicial interpretations thereunder. No assurance can be given that administrative, judicial or legislative changes will not occur that may make the foregoing statements incorrect or incomplete.

ACCEPTANCE OF SUBSCRIPTIONS ON BEHALF OF PLANS IS IN NO RESPECT A REPRESENTATION BY THE SPONSOR OR ANY OTHER PARTY RELATED TO THE TRUST THAT THIS INVESTMENT MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN, PLANS GENERALLY OR THAT THIS INVESTMENT IS APPROPRIATE FOR ANY PARTICULAR PLAN OR PLANS GENERALLY. THE PERSON WITH INVESTMENT DISCRETION FOR ANY PLAN SHOULD CONSULT WITH HIS OR HER OWN COUNSEL AND ADVISERS AS TO THE PROPRIETY OF AN INVESTMENT IN THE TRUST, IN LIGHT OF THE CIRCUMSTANCES OF THE PARTICULAR PLAN.

EXPERTS

The financial statements as of and for each of the years ended September 30, 2021 and 2020 included in this Information Statement have been audited by Friedman LLP, an independent registered public accounting firm, as stated in their report, which included an explanatory paragraph regarding risks associated with an investment in ZEN, appearing herein. Such financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

The Sponsor has filed on behalf of the Trust a registration statement on Form 10 with the SEC under the Securities Act. This Information Statement does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Trust or the Shares, please refer to the registration statement, which you may inspect, without charge, at the public reference facilities of the SEC at the below address or online at www.sec.gov, or obtain at prescribed rates from the public reference facilities of the SEC at the below address. Information about the Trust and the Shares can also be obtained from the Trust's website. The internet address of the Trust's website will be <https://grayscale.com/products/grayscale-horizen-trust/>. This internet address is only provided here as a convenience to you to allow you to access the Trust's website, and the information contained on or connected to the Trust's website is not part of this Information Statement or the registration statement of which this Information Statement is part.

The Trust is subject to the informational requirements of the Exchange Act and the Sponsor, on behalf of the Trust, will file quarterly and annual reports and other information with the SEC. The reports and other information can be inspected online at www.sec.gov. Our reports are also available, free of charge, on our website at <https://grayscale.com/products/grayscale-horizen-trust/>. Information contained on our website does not constitute a part of this registration statement.

GLOSSARY OF DEFINED TERMS

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

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

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

“Affirmative Action”—A decision by the Trust to acquire or abandon specific Incidental Rights and IR Virtual Currency at any time prior to the time of a creation of shares.

“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 of Shares. Each Authorized Participant (i) is a registered broker-dealer, (ii) has entered into a Participant Agreement with the Sponsor and (iii) owns a digital wallet address that is known to the Custodian as belonging to the Authorized Participant.

“Basket”—A block of 100 Shares.

“Basket Amount”—On any trade date, the number of ZEN required as of such trade date for each Creation Basket, as determined by dividing (x) the number of ZEN owned by the Trust at 4:00 p.m., New York time, on such trade date, after deducting the number of ZEN representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust (converted using the Reference Rate 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 ZEN (*i.e.*, carried to the eighth decimal place)), and multiplying such quotient by 100.

“Bitcoin” or “BTC”—A type of digital asset based on an open-source cryptographic protocol existing on the Bitcoin Network.

“Blockchain” or “Horizen Blockchain”—The public transaction ledger of the Horizen Network on which transactions in ZEN are recorded.

“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 Trust Documents—The Sponsor—Liability of the Sponsor and Indemnification.”

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

“Creation Time”—With respect to the creation of any Shares by the Trust, the time at which the Trust creates such Shares.

“Custodial Services”—The Custodian’s services that (i) allow ZEN to be deposited from a public blockchain address to the Trust’s Digital Asset Account and (ii) allow the Trust and the Sponsor to withdraw ZEN from the Trust’s Digital Asset Account to a public blockchain address the Trust or the Sponsor controls pursuant to instructions the Trust or the Sponsor provides to the Custodian.

“Custodian”—Coinbase Custody Trust Company, LLC.

“Custodian Agreement”—The Custodial Services Agreement by and between the Trust and the Sponsor and Custodian that governs the Trust’s and the Sponsor’s use of the Custodial Services provided by the Custodian as a fiduciary with respect to the Trust’s assets.

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

“Digital Asset Account”—A segregated custody account controlled and secured by the Custodian to store private keys, which allow for the transfer of ownership or control of the Trust’s ZEN on the Trust’s behalf.

“Digital Asset Benchmark Exchange”—A Digital Asset Exchange that represents at least 10% of the aggregate U.S. dollar-denominated trading volume of ZEN during the last 30 consecutive calendar days and that to the knowledge of the Sponsor is in substantial compliance with the laws, rules and regulations, including any anti-money laundering and know-your-customer procedures, of such Digital Asset Exchange’s applicable jurisdiction. If there are fewer than three such Digital Asset Exchanges, then the Digital Asset Benchmark Exchanges will include such Digital Asset Exchange or Digital Asset Exchanges that meet the above-described requirements, as well as one or more additional Digital Asset Exchanges, selected by the Sponsor, that have had monthly trading volume requirement.

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

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

“Digital Asset 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 ZEN and Determination of the Digital Asset Holdings.” See also “Determination of NAV” for a description of the Trust’s NAV, as calculated in accordance with GAAP.

“Digital Asset Holdings Fee Basis Amount”—The amount on which the Sponsor’s Fee for the Trust is based, as calculated in the manner set forth under “Valuation of ZEN and Determination of Digital Asset Holdings”.

“Digital Asset Market”—A “Brokered Market,” “Dealer Market,” “Principal-to-Principal Market” or “Exchange Market,” as each such term is defined in the Financial Accounting Standards Board Accounting Standards Codification Master Glossary.

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

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

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

“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.

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

“Horizen Blockchain Foundation” — A Delaware non-profit entity that consists of a team of scientists, cryptographers, engineers and advisers from various parts around the world that contribute to the Horizen Network.

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

“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 ZEN and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust.

“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.

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

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

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

“Participant Agreement”—An agreement entered into by an Authorized Participant with the Sponsor that provides the procedures for the creation of Baskets and for the delivery of ZEN required for Creation Baskets.

“Pre-Creation Abandonment”—The abandonment by the Trust, irrevocably for no direct or indirect consideration, all Incidental Rights and IR Virtual Currency to which the Trust would otherwise be entitled, effective immediately prior to a Creation Time for the Trust.

“Pre-Creation Abandonment Notice”—A notice delivered by the Sponsor to the Custodian, on behalf of the Trust, stating that the Trust is abandoning irrevocably for no direct or indirect consideration, effective immediately prior to each Creation Time, all Incidental Rights and IR Virtual Currency to which it would otherwise be entitled as of such time and with respect to which the Trust has not taken any Affirmative Action at or prior to such time.

“Reference Rate”—The CoinDesk Horizen Reference Rate.

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

“Reference Rate Price”—The U.S. dollar value of a ZEN derived from the Digital Asset Exchanges that are reflected in the Reference Rate, calculated at 4:00 p.m., New York time, on each business day. See “Overview of Horizen—ZEN Value—The Reference Rate and the Reference Rate Price” for a description of how the Reference Rate Price is calculated. For purposes of the Trust Agreement, the term ZEN Reference Rate Price shall mean the Reference Rate Price as defined herein.

“Reference Rate Provider”—CoinDesk Indices, Inc., formerly known as TradeBlock, Inc., a Delaware corporation that publishes the Reference Rate. DCG is the indirect parent company of CoinDesk Indices, Inc. As a result, CoinDesk Indices, Inc. is an affiliate of the Sponsor and the Trust and is considered a related party of the Trust.

“Regular Node”—A class of node in the Horizen Network that is responsible for maintaining a full copy of the Horizen Blockchain.

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

“Secondary Market”—Any marketplace or other alternative trading system, as determined by the Sponsor, on which the Shares may then be listed, quoted or traded, including but not limited to, the OTCQX tier of the OTC Markets Group Inc.

“Secure Node”—A class of node in the Horizen Network that performs the same function as Regular Nodes and additionally ensure all network communications between nodes are encrypted.

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

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

“Share Split”—A 10-for-1 Share split of the Trust’s issued and outstanding Shares, which was effective on October 7, 2021 to shareholders of record as of the close of business on October 6, 2021.

“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 that the Sponsor is obligated to assume and pay, excluding taxes, but including: (i) the Marketing Fee, (ii) the Administrator Fee, (iii) the Custodian Fee and fees for any other security vendor engaged by the Trust, (iv) the Transfer Agent fee, (v) the Trustee fee, (vi) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year, (vii) ordinary course, legal fees and expenses, (viii) audit fees, (ix) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act, (x) printing and mailing costs, (xi) costs of maintaining the Trust’s website and (xii) applicable license fees, provided that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

“Sponsor’s Fee”—A fee, payable in ZEN, which accrues daily in U.S. dollars at an annual rate of 2.5% of the Digital Asset Holdings Fee Basis Amount of the Trust as of 4:00 p.m., New York time, on each day; *provided* that for a day that is not a business day, the calculation of the Sponsor’s Fee will be based on the Digital Asset Holdings Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Sponsor’s Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date.

“Super Node” — A class of node in the Horizen Network that performs the same functions as Secure Nodes and additionally support Sidechains, parallel blockchains which provide for additional functionality and blockchain application features.

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

“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.

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

“Trust”—Grayscale Horizen Trust (ZEN), a Delaware statutory trust, formed on July 3, 2018 under the DSTA and pursuant to the Trust Agreement.

“Trust Agreement”—The Amended and Restated Declaration of Trust and Trust Agreement between the Trustee and the Sponsor establishing and governing the operations of the Trust, as amended by Amendment No. 1 thereto and as the same may be amended from time to time.

“Trustee”—Delaware Trust Company (formerly known as CSC Trust Company of Delaware), a Delaware trust company, is the Delaware trustee of the Trust.

“U.S.”—United States.

“U.S. dollar” or “\$”—United States dollar or dollars.

“ZEN” or “Horizen”—Horizen tokens, which are a type of digital asset based on an open source cryptographic protocol existing on the Horizen Network, comprising units that constitute the assets underlying the Trust’s Shares.

“Zcash” or “ZEC”—A type of digital asset based on an open-source cryptographic protocol existing on the Zcash network.

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GRAYSCALE HORIZEN TRUST (ZEN)
STATEMENTS OF ASSETS AND LIABILITIES
(UNAUDITED)

	<u>December 31, 2021</u>	<u>September 30, 2021</u>
(Amounts in U.S. dollars, except Share amounts)		
Assets:		
Investment in ZEN, at fair value (cost \$12,839,456 and \$11,332,638 as of December 31, 2021 and September 30, 2021, respectively)	\$37,189,617	\$42,801,643
ZEN receivable, related party (cost \$0 and \$1,587,977 as of December 31, 2021 and September 30, 2021, respectively)	—	1,138,582
Total assets	<u>\$37,189,617</u>	<u>\$43,940,225</u>
Liabilities:		
Sponsor's Fee payable, related party	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Net assets	<u>\$37,189,617</u>	<u>\$43,940,225</u>
Net Assets consists of:		
Paid-in-capital	13,562,917	13,562,917
Accumulated net investment loss	(1,305,766)	(976,607)
Accumulated net realized gain on investment in Horizen	582,305	334,305
Accumulated net change in unrealized appreciation on investment in Horizen	24,350,161	31,019,610
	<u>\$37,189,617</u>	<u>\$43,940,225</u>
Shares issued and outstanding, no par value (unlimited Shares authorized)	<u>6,838,000</u>	<u>6,838,000</u>
Net asset value per Share	<u>\$ 5.44</u>	<u>\$ 6.43</u>

GRAYSCALE HORIZEN TRUST (ZEN)
SCHEDULES OF INVESTMENT
(UNAUDITED)

December 31, 2021

	<u>Quantity of Horizen</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in Horizen	627,990.83643758	\$12,839,456	\$37,189,617	100.00%
Net assets			<u>\$37,189,617</u>	<u>100.00%</u>

September 30, 2021

	<u>Quantity of Horizen</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in Horizen	615,585.26478971	\$11,332,638	\$42,801,643	97.41%
ZEN receivable, related party	16,375.40469036	1,587,977	1,138,582	2.59%
Net assets		<u>\$12,920,615</u>	<u>\$43,940,225</u>	<u>100.00%</u>

GRAYSCALE HORIZEN TRUST (ZEN)
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,	
	2021	2020
(Amounts in U.S. dollars)		
Investment income:		
Investment income	\$ —	\$ —
Expenses:		
Sponsor's Fee, related party	329,159	25,402
Net investment loss	<u>(329,159)</u>	<u>(25,402)</u>
Net realized and unrealized (loss) gain from:		
Net realized gain (loss) on investment in Horizen	248,000	(25,102)
Net change in unrealized (depreciation) appreciation on investment in Horizen	<u>(6,669,449)</u>	<u>2,093,512</u>
Net realized and unrealized (loss) gain on investment in Horizen	<u>(6,421,449)</u>	<u>2,068,410</u>
Net (decrease) increase in net assets resulting from operations	<u><u>\$(6,750,608)</u></u>	<u><u>\$2,043,008</u></u>

GRAYSCALE HORIZEN TRUST (ZEN)
STATEMENT OF CHANGES IN NET ASSETS
(UNAUDITED)

	Three Months Ended December 31,	
	2021	2020
(Amounts in U.S. dollars, except change in Shares outstanding)		
(Decrease) increase in net assets from operations:		
Net investment loss	\$ (329,159)	\$ (25,402)
Net realized gain (loss) on investment in Horizen	248,000	(25,102)
Net change in unrealized (depreciation) appreciation on investment in Horizen	(6,669,449)	2,093,512
Net (decrease) increase in net assets resulting from operations	(6,750,608)	2,043,008
Increase in net assets from capital share transactions:		
Shares issued	—	1,359,058
Net increase in net assets resulting from capital share transactions	—	1,359,058
Total (decrease) increase in net assets	(6,750,608)	3,402,066
Net assets:		
Beginning of period	43,940,225	2,502,119
End of period	\$37,189,617	\$5,904,185
Change in shares outstanding:		
Shares outstanding at beginning of period	6,838,000	4,657,000
Shares issued	—	1,236,000
Net increase in Shares	—	1,236,000
Shares outstanding at end of period	6,838,000	5,893,000

GRAYSCALE HORIZEN TRUST (ZEN)

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. Organization

Grayscale Horizen Trust (ZEN) (the “Trust”) is a Delaware Statutory Trust that was formed on July 3, 2018 and commenced operations on August 6, 2018. In general, the Trust holds Horizen (“ZEN”) and, from time to time, issues common units of fractional undivided beneficial interest (“Shares”) (in minimum baskets of 100 Shares, referred to as “Baskets”) in exchange for ZEN. The redemption of Shares is not currently contemplated and the Trust does not currently operate a redemption program. Subject to receipt of regulatory approval and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The Trust currently has no intention of seeking regulatory approval to operate an ongoing redemption program. The Trust’s investment objective is for the value of the Shares (based on ZEN per share) to reflect the value of ZEN held by the Trust, less the Trust’s expenses and other liabilities. The Trust may also receive Incidental Rights and/or IR Virtual Currency as a result of the Trust’s investment in ZEN, in accordance with the terms of the Trust Agreement.

Incidental Rights are rights to claim, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Trust’s ownership of ZEN and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust; IR Virtual Currency is any virtual currency tokens, or other asset or right, received by the Trust through the exercise (subject to the applicable provisions of the Trust Agreement) of any Incidental Right.

Grayscale Investments LLC (“Grayscale” or the “Sponsor”) acts as the Sponsor of the Trust and is a wholly owned subsidiary of Digital Currency Group, Inc. (“DCG”). The Sponsor is responsible for the day-to-day administration of the Trust pursuant to the provisions of the Trust Agreement. Grayscale is responsible for preparing and providing annual and quarterly reports on behalf of the Trust to investors and is also responsible for selecting and monitoring the Trust’s service providers. As partial consideration for the Sponsor’s services, the Trust pays Grayscale a Sponsor’s Fee as discussed in Note 6. The Sponsor also acts as the sponsor and manager of other investment products including Grayscale Basic Attention Token Trust (BAT), Grayscale Bitcoin Trust (BTC) (OTCQX: GBTC), Grayscale Bitcoin Cash Trust (BCH) (OTCQX: BCHG), Grayscale Chainlink Trust (LINK), Grayscale Decentraland Trust (MANA), Grayscale Ethereum Trust (ETH) (OTCQX: ETHE), Grayscale Ethereum Classic Trust (ETC) (OTCQX: ETCG), Grayscale Filecoin Trust (FIL), Grayscale Litecoin Trust (LTC) (OTCQX: LTCN), Grayscale Livepeer Trust (LPT), Grayscale Solana Trust (SOL), Grayscale Stellar Lumens Trust (XLM) (OTCQX: GXLM), Grayscale Zcash Trust (ZEC) (OTCQX: ZCSH), Grayscale Decentralized Finance (DeFi) Fund LLC, and Grayscale Digital Large Cap Fund LLC (OTCQX: GDLC). each of which is an affiliate of the Trust. The following investment products sponsored or managed by the Sponsor are also SEC reporting companies with their shares registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Cash Trust (BCH), Grayscale Ethereum Trust (ETH), Grayscale Ethereum Classic Trust (ETC), Grayscale Litecoin Trust (LTC) and Grayscale Digital Large Cap Fund LLC (GDLC).

Authorized Participants of the Trust are the only entities who may place orders to create or, if permitted, redeem Baskets. Genesis Global Trading, Inc. (“Genesis” or the “Authorized Participant”), a registered broker-dealer and wholly owned subsidiary of DCG, is the only Authorized Participant and is party to a participant agreement with the Sponsor and the Trust. Additional Authorized Participants may be added at any time, subject to the discretion of the Sponsor.

The custodian of the Trust is Coinbase Custody Trust Company, LLC (the “Custodian”), a third-party service provider. The Custodian is responsible for safeguarding the ZEN, Incidental Rights, and IR Virtual Currency held by the Trust, and holding the private key(s) that provide access to the Trust’s digital wallets and vaults.

The transfer agent for the Trust (the “Transfer Agent”) is Continental Stock Transfer & Trust Company. The responsibilities of the Transfer Agent are to maintain creations, redemptions, transfers, and distributions of the Trust’s Shares which are primarily held in book-entry form.

On October 18, 2021, the Trust received notice that its Shares were qualified for public trading on the OTCQX U.S Marketplace of the OTC Markets Group Inc. (“OTCQX”). The Trust’s trading symbol on OTCQX is “HZEN” and the CUSIP number for its Shares is 38963T101.

On October 7, 2021, the Trust completed a 10-for-1 Share Split of the Trust’s issued and outstanding Shares. Each beneficial owner of a Share (a “shareholder”) of record as of the close of business on October 6, 2021 received nine additional Shares of the Trust for each Share held. The number of outstanding Shares and per-Share amounts disclosed for all periods presented have been retroactively adjusted to reflect the effects of the Share Split.

2. Summary of Significant Accounting Policies

In the opinion of management of the Sponsor of the Trust, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position as of December 31, 2021 and September 30, 2021 and results of operations for the three months ended December 31, 2021 and 2020 have been made. The results of operations for the periods presented are not necessarily indicative of the results of operations expected for the full year. These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended September 30, 2021 included in the Company’s Annual Report.

The following is a summary of significant accounting policies followed by the Trust:

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The Trust qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, *Financial Services—Investment Companies*. The Trust uses fair value as its method of accounting for ZEN in accordance with its classification as an investment company for accounting purposes. The Trust is not a registered investment company under the Investment Company Act of 1940. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.

The Trust conducts its transactions in ZEN, including receiving ZEN for the creation of Shares and delivering ZEN for the redemption of Shares and for the payment of the Sponsor’s Fee. At this time, the Trust is not accepting redemption requests from shareholders. Since its inception, the Trust has not held cash or cash equivalents.

Principal Market and Fair Value Determination

To determine which market is the Trust’s principal market (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Trust’s net asset value (“NAV”), the Trust follows ASC 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for ZEN in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Trust to assume that ZEN is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

The Trust only receives ZEN from the Authorized Participant and does not itself transact on any Digital Asset Markets. Therefore, the Trust looks to the Authorized Participant when assessing entity-specific and market-

based volume and level of activity for Digital Asset Markets. The Authorized Participant transacts in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB ASC Master Glossary (collectively, “Digital Asset Markets”). The Authorized Participant, as a related party of the Sponsor, provides information about the Digital Asset Markets on which it transacts to the Trust.

In determining which of the eligible Digital Asset Markets is the Trust’s principal market, the Trust reviews these criteria in the following order:

First, the Trust reviews a list of Digital Asset Markets and excludes any Digital Asset Markets that are non-accessible to the Trust and the Authorized Participant. The Trust or the Authorized Participant does not have access to Digital Asset Exchange Markets that do not have a BitLicense and has access only to non-Digital Asset Exchange Markets that the Authorized Participant reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.

Second, the Trust sorts the remaining Digital Asset Markets from high to low by entity-specific and market-based volume and level of activity of ZEN traded on each Digital Asset Market in the trailing twelve months.

Third, the Trust then reviews intra-day pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.

Fourth, the Trust then selects a Digital Asset Market as its principal market based on the highest market-based volume, level of activity and price stability in comparison to the other Digital Asset Markets on the list. Based on information reasonably available to the Trust, Exchange Markets have the greatest volume and level of activity for the asset. The Trust therefore looks to accessible Exchange Markets as opposed to the Brokered Market, Dealer Market and Principal-to-Principal Markets to determine its principal market. As a result of the analysis, an Exchange Market has been selected as the Trust’s principal market.

The Trust determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market’s trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Trust has access to, or (iii) if recent changes to each Digital Asset Market’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.

The cost basis of the investment in ZEN recorded by the Trust for financial reporting purposes is the fair value of ZEN 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 Transactions and Revenue Recognition

The Trust considers investment transactions to be the receipt of ZEN for Share creations and the delivery of ZEN for Share redemptions or for payment of expenses in ZEN. 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 or depreciation on investments. Realized gains and losses are calculated using the specific identification method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Sponsor’s Fee in ZEN.

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.

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.

		Fair Value Measurement Using			
		Amount at Fair Value	Level 1	Level 2	Level 3
December 31, 2021					
Assets					
Investment in ZEN		<u>\$37,189,617</u>	<u>\$—</u>	<u>\$37,189,617</u>	<u>\$—</u>
September 30, 2021					
Assets					
Investment in ZEN		<u>\$42,801,643</u>	<u>\$—</u>	<u>\$42,801,643</u>	<u>\$—</u>
ZEN receivable, related party		<u>\$ 1,138,582</u>	<u>\$—</u>	<u>\$ 1,138,582</u>	<u>\$—</u>

3. Fair Value of Horizen

ZEN is held by the Custodian on behalf of the Trust and is carried at fair value. As of December 31, 2021 and September 30, 2021, the Trust held 627,990.83643758 and 615,585.26478971 ZEN, respectively.

The Trust determined the fair value per ZEN to be \$59.22 and \$69.53 on December 31, 2021 and September 30, 2021, respectively, using the price provided at 4:00 p.m., New York time, by the Digital Asset Market considered to be the Trust's principal market.

Historically, the Trust considered the Digital Asset Brokered Market to be its principal market. The Trust performed an assessment of the principal market at December 31, 2021 and identified a change in the principal market from the Digital Asset Brokered Market to Coinbase Pro.

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

	<u>Horizen</u>	<u>Fair Value</u>
Balance at October 1, 2020	441,290.85330434	\$ 2,502,119
ZEN contributed, net of ZEN receivable, related party	188,580.88160629	4,317,694
ZEN distributed for Sponsor's Fee, related party	(14,286.47012092)	(815,977)
Net change in unrealized appreciation on investment in ZEN	—	36,229,339
Net realized gain on investment in ZEN ...	—	568,468
Balance at September 30, 2021	<u>615,585.26478971</u>	<u>\$42,801,643</u>
ZEN contributed, including repayment of ZEN receivable, related party	16,375.40469036	1,138,582
ZEN distributed for Sponsor's Fee, related party	(3,969.83304249)	(329,159)
Net change in unrealized depreciation on investment in ZEN	—	(6,669,449)
Net realized gain on investment in ZEN ...	—	248,000
Balance at December 31, 2021	<u><u>627,990.83643758</u></u>	<u><u>\$37,189,617</u></u>

4. Creations and Redemptions of Shares

At December 31, 2021 and September 30, 2021, there were an unlimited number of Shares authorized by the Trust. The Trust creates (and, should the Trust commence a redemption program, redeems) Shares from time to time, but only in one or more Baskets. The creation and redemption of Baskets on behalf of investors are made by the Authorized Participant in exchange for the delivery of ZEN to the Trust or the distribution of ZEN by the Trust. The number of ZEN required for each creation Basket or redemption Basket is determined by dividing (x) the number of ZEN owned by the Trust at 4:00 p.m., New York time, on such trade date of a creation or redemption order, after deducting the number of ZEN representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust, by (y) the number of Shares outstanding at such time and multiplying the quotient obtained by 100. Each Share represented approximately 0.0918 and 0.0924 of one ZEN at December 31, 2021 and September 30, 2021, respectively.

The cost basis of investments in ZEN recorded by the Trust is the fair value of ZEN, as determined by the Trust, at 4:00 p.m., New York time, on the date of transfer to the Trust by the Authorized Participant based on the creation Baskets. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of each Share to investors. The Authorized Participant may realize significant profits buying, selling, creating, and, if permitted, redeeming Shares as a result of changes in the value of Shares or ZEN.

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 Sponsor takes the position that the Trust is properly treated as a grantor trust for U.S. federal income tax purposes. Assuming that the Trust is a grantor trust, the Trust will not be subject to U.S. federal income tax.

Rather, if the Trust is a grantor trust, each beneficial owner of Shares will be treated as directly owning its pro rata Share of the Trust's assets and a pro rata portion of the Trust's income, gain, losses and deductions will "flow through" to each beneficial owner of Shares.

If the Trust were not properly classified as a grantor trust, the Trust might be classified as a partnership for U.S. federal income tax purposes. However, due to the uncertain treatment of digital currencies, including forks, airdrops and similar occurrences for U.S. federal income tax purposes, there can be no assurance in this regard. If the Trust were classified as a partnership for U.S. federal income tax purposes, the tax consequences of owning Shares generally would not be materially different from the tax consequences described herein, although there might be certain differences, including with respect to timing. In addition, tax information reports provided to beneficial owners of Shares would be made in a different form. If the Trust were not classified as either a grantor trust or a partnership for U.S. federal income tax purposes, it would be classified as a corporation for such purposes. In that event, the Trust would be subject to entity-level U.S. federal income tax (currently at the 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.

In accordance with GAAP, the Trust has defined the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the applicable taxing authority and requires measurement of a tax position meeting the "more-likely-than-not" threshold, based on the largest benefit that is more than 50% likely to be realized. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax benefit or expense in the current period. As of and during the periods ended December 31, 2021 and September 30, 2021, the Trust did not have a liability for any unrecognized tax amounts. However, the Sponsor's conclusions concerning its determination of "more-likely-than-not" tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance, and on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Sponsor of the Trust has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions related to federal, state and local income taxes existed as of December 31, 2021 or September 30, 2021.

6. Related Parties

The Trust considers the following entities, their directors, and employees to be related parties of the Trust: DCG, Genesis, Grayscale, and CoinDesk Indices, Inc. As of December 31, 2021 and September 30, 2021, 3,660,933 and 3,753,580 Shares of the Trust were held by related parties of the Trust, respectively.

The Sponsor's parent, an affiliate of the Trust, holds a minority interest in Coinbase, Inc., the parent company of the Custodian, that represents less than 1.0% of Coinbase, Inc.'s ownership.

In accordance with the Trust Agreement governing the Trust, the Trust pays a fee to the Sponsor, calculated as 2.5% of the aggregate value of the Trust's assets, less its liabilities (which include any accrued but unpaid expenses up to, but excluding, the date of calculation), as calculated and published by the Sponsor or its delegates in the manner set forth in the Trust Agreement (the "Sponsor's Fee"). The Sponsor's Fee accrues daily in U.S. dollars and is payable in ZEN, monthly in arrears. The amount of ZEN payable in respect of each daily U.S. dollar accrual will be determined by reference to the same U.S. dollar value of ZEN used to determine such accrual. For purposes of these financial statements, the U.S. dollar value of ZEN is determined by reference to the Digital Asset Exchange Market that the Trust considers its principal market as of 4:00 p.m., New York time, on each valuation date. The Trust held no Incidental Rights or IR Virtual Currency as of December 31, 2021 and September 30, 2021. No Incidental Rights or IR Virtual Currencies have been distributed in payment of the Sponsor's Fee during the three months ended December 31, 2021 and 2020.

As partial consideration for receipt of the Sponsor's Fee, the Sponsor is obligated under the Trust Agreement to assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including marketing fees; administrator fees, if any; custodian fees; transfer agent fees; trustee fees; the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year; ordinary course legal fees and expenses; audit fees; regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act; printing and mailing costs; the costs of maintaining the Trust's website and applicable license fees (the "Sponsor-paid Expenses"), provided that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

The Trust may incur certain extraordinary, non-recurring expenses that are not Sponsor-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), any indemnification of the Custodian or other agents, service providers or counterparties of the Trust, the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively "Additional Trust Expenses"). In such circumstances, the Sponsor or its delegate (i) will instruct the Custodian to withdraw from the ZEN account ZEN, 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 ZEN, 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 ZEN, Incidental Rights and/or IR Virtual Currency in kind in satisfaction of such Additional Trust Expenses.

For the three months ended December 31, 2021 and 2020, the Trust incurred Sponsor's Fees of \$329,159 and \$25,402, respectively. As of December 31, 2021 and September 30, 2021, there were no accrued and unpaid.

Sponsor's Fees. In addition, the Sponsor may pay Additional Trust Expenses on behalf of the Trust, which are reimbursable by the Trust to the Sponsor. For the three months ended December 31, 2021 and 2020, the Sponsor did not pay any Additional Trust Expenses on behalf of the Trust.

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, ZEN. Investing in ZEN is currently highly speculative and volatile.

The net asset value of the Trust relates primarily to the value of ZEN held by the Trust, and fluctuations in the price of ZEN could materially and adversely affect an investment in the Shares of the Trust. The price of ZEN has a limited history. During such history, ZEN prices have been volatile and subject to influence by many factors, including the levels of liquidity. If Digital Asset Markets continue to experience significant price fluctuations, the Trust may experience losses. Several factors may affect the price of ZEN, including, but not limited to, global ZEN supply and demand, theft of ZEN from global exchanges or vaults, competition from other forms of digital currency or payment services, global or regional political, economic or financial conditions, and other unforeseen market events and situations.

The ZEN held by the Trust are commingled and the Trust's shareholders have no specific rights to any specific ZEN. In the event of the insolvency of the Trust, its assets may be inadequate to satisfy a claim by its shareholders.

There is currently no clearing house for ZEN, nor is there a central or major depository for the custody of ZEN. There is a risk that some or all of the Trust's ZEN could be lost or stolen. There can be no assurance that the Custodian will maintain adequate insurance or that such coverage will cover losses with respect to the Trust's ZEN. Further, transactions in ZEN are irrevocable. Stolen or incorrectly transferred ZEN may be irretrievable. As a result, any incorrectly executed ZEN transactions could adversely affect an investment in the Shares.

The Securities and Exchange Commission (the "SEC") has stated that certain digital assets may be considered "securities" under the federal securities laws. The test for determining whether a particular digital asset is a "security" is complex and the outcome is difficult to predict. If ZEN 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 ZEN. For example, it may become more difficult for ZEN 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 ZEN and cause users to migrate to other digital assets. As such, any determination that ZEN is a security under federal or state securities laws may adversely affect the value of ZEN and, as a result, an investment in the Shares.

To the extent that ZEN is determined to be a security, the Trust and the Sponsor may also be subject to additional regulatory requirements, including those under the Investment Company Act of 1940, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act of 1940. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust's ZEN at a time that is disadvantageous to shareholders.

To the extent a private key required to access a ZEN address is lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Trust may be unable to access the ZEN controlled by the private key and the private key will not be capable of being restored by the ZEN network. The processes by which ZEN transactions are settled are dependent on the 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 ZEN.

The Trust relies on third party service providers to perform certain functions essential to its operations. Any disruptions to the Trust's or the Trust's service providers' business operations resulting from business restrictions, quarantines or restrictions on the ability of personnel to perform their jobs as a result of the COVID-19 pandemic could have an adverse impact on the Trust's ability to access critical services and would be disruptive to the operation of the Trust.

8. Financial Highlights Per Share Performance

	Three Months Ended December 31,	
	2021	2020
Per Share Data:		
Net asset value, beginning of period	\$ 6.43	\$ 0.54
Net (decrease) increase in net assets from investment operations:		
Net investment loss	(0.05)	(0.01)
Net realized and unrealized (loss) gain	(0.94)	0.47
Net (decrease) increase in net assets resulting from operations	(0.99)	0.46
Net asset value, end of period	\$ 5.44	\$ 1.00
Total return	-15.40%	85.19%
<i>Ratios to average net assets:</i>		
Net investment loss	-2.50%	-2.50%
Expenses	-2.50%	-2.50%

Ratios of net investment loss and expenses to average net assets have been annualized.

An individual shareholder's return, ratios, and per Share performance may vary from those presented above based on the timing of Share transactions.

Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period and assuming redemption on the last day of the period.

9. Indemnifications

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

10. Subsequent Events

As of the close of business on February 3, 2022 the fair value of ZEN determined in accordance with the Trust's accounting policy was \$37.52 per ZEN.

On March 2, 2022, the Board of the Sponsor approved the purchase by DCG, the parent company of the Sponsor, of up to \$10 million worth of Shares of the Trust. Subsequently, DCG authorized such purchase. The Share purchase authorization does not obligate DCG to acquire any specific number of Shares in any period, and may be expanded, extended, modified, or discontinued at any time.

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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Sponsor of
Grayscale Horizen Trust (ZEN)

Opinion on the Financial Statements

We have audited the accompanying statements of assets and liabilities, including the schedules of investment, of Grayscale Horizen Trust (ZEN) (the “Trust”) as of September 30, 2021 and 2020, and the related statements of operations and changes in net assets for each of the years in the two-year period ended September 30, 2021, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as of September 30, 2021 and 2020, and the results of its operations for each of the years in the two-year period ended September 30, 2021, 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 the Trust’s financial statements based on our audits. We are a public 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 and Exchange Commission and the PCAOB.

We conducted our audits 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. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter—Investments in Horizen

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 Horizen and Incidental Rights or IR Virtual Currency that arise as a result of the Trust’s investment in Horizen. The risks and rewards to be recognized by the Trust associated with its investment in Horizen will be dependent on many factors outside of the Trust’s control. The currently unregulated and immature nature of the Horizen market including clearing, settlement, custody and trading mechanisms, the dependency on information technology to sustain Horizen continuity, as well as valuation and volume volatility all subject Horizen to unique risks of theft, loss, or other misappropriation as well as valuation uncertainty. Furthermore, these factors also contribute to the significant uncertainty with respect to the future viability and value of Horizen. Our opinion is not qualified in respect to this matter.

/s/ Friedman LLP

We have served as the Trust’s auditor since 2018.

East Hanover, New Jersey
November 22, 2021

GRAYSCALE HORIZEN TRUST (ZEN)
STATEMENTS OF ASSETS AND LIABILITIES

	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
(Amounts in U.S. dollars, except Share and per Share amounts)		
Assets:		
Investment in ZEN, at fair value (cost \$11,332,638 and \$7,711,848 as of September 30, 2021 and 2020, respectively)	\$42,801,643	\$ 2,502,119
ZEN receivable, related party (cost \$1,587,977 and \$0 as of September 30, 2021 and 2020, respectively)	1,138,582	—
Total assets	<u>\$43,940,225</u>	<u>\$ 2,502,119</u>
Liabilities:		
Sponsor's Fee payable, related party	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Net assets	<u>\$43,940,225</u>	<u>\$ 2,502,119</u>
Net Assets consists of:		
Paid-in-capital	13,562,917	8,106,641
Accumulated net investment loss	(976,607)	(160,630)
Accumulated net realized gain (loss) on investment in ZEN	334,305	(234,163)
Accumulated net change in unrealized appreciation (depreciation) on investment in ZEN and ZEN receivable	31,019,610	(5,209,729)
	<u>\$43,940,225</u>	<u>\$ 2,502,119</u>
Shares issued and outstanding, no par value (unlimited Shares authorized)	<u>6,838,000</u>	<u>4,657,000</u>
Net asset value per Share	<u>\$ 6.43</u>	<u>\$ 0.54</u>

See accompanying notes to financial statements.

GRAYSCALE HORIZEN TRUST (ZEN)
SCHEDULES OF INVESTMENT

September 30, 2021

	<u>Quantity of ZEN</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in ZEN	615,585.26478971	\$11,332,638	\$42,801,643	97.41%
ZEN receivable, related party	16,375.40469036	<u>1,587,977</u>	<u>1,138,582</u>	<u>2.59%</u>
Net assets		<u>\$12,920,615</u>	<u>\$43,940,225</u>	<u>100.00%</u>

September 30, 2020

	<u>Quantity of ZEN</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in ZEN	441,290.85330434	\$ 7,711,848	\$ 2,502,119	100.00%
Net assets			<u>\$ 2,502,119</u>	<u>100.00%</u>

See accompanying notes to financial statements.

GRAYSCALE HORIZEN TRUST (ZEN)
STATEMENTS OF OPERATIONS

	Years Ended September 30,	
	2021	2020
(Amounts in U.S. dollars)		
Investment income:		
Investment income	\$ —	\$ —
Expenses:		
Sponsor's Fee, related party	815,977	73,795
Net investment loss	(815,977)	(73,795)
Net realized and unrealized gain on investment in ZEN:		
Net realized gain (loss) on investment in ZEN	568,468	(138,164)
Net change in unrealized appreciation on Sponsor's Fee payable	—	(2,305)
Net change in unrealized appreciation on investment in ZEN	36,229,339	890,756
Net realized and unrealized gain on investment in ZEN	36,797,807	750,287
Net increase in net assets resulting from operations	<u>\$35,981,830</u>	<u>\$ 676,492</u>

See accompanying notes to financial statements.

GRAYSCALE HORIZEN TRUST (ZEN)
STATEMENT OF CHANGES IN NET ASSETS

	Years Ended September 30,	
	2021	2020
(Amounts in U.S. dollars, except change in Shares outstanding)		
Increase in net assets from operations:		
Net investment loss	\$ (815,977)	\$ (73,795)
Net realized gain (loss) on investment in ZEN	568,468	(138,164)
Net change in unrealized appreciation on Sponsor's Fee payable	—	(2,305)
Net change in unrealized appreciation on investment in ZEN	36,229,339	890,756
Net increase in net assets resulting from operations	35,981,830	676,492
Increase in net assets from capital share transactions:		
Shares issued	5,456,276	597,288
Net increase in net assets resulting from capital share transactions	5,456,276	597,288
Total increase in net assets from operations and capital share transactions	41,438,106	1,273,780
Net assets:		
Beginning of year	2,502,119	1,228,339
End of year	\$43,940,225	\$2,502,119
Change in Shares outstanding:		
Shares outstanding at beginning of year	4,657,000	3,785,000
Shares issued	2,181,000	872,000
Net increase in Shares	2,181,000	872,000
Shares outstanding at end of year	6,838,000	4,657,000

See accompanying notes to financial statements.

GRAYSCALE HORIZEN TRUST (ZEN)

NOTES TO THE FINANCIAL STATEMENTS

1. Organization

Grayscale Horizen Trust (ZEN) (the “Trust”) is a Delaware Statutory Trust that was formed on July 3, 2018 and commenced operations on August 6, 2018. In general, the Trust holds Horizen (“ZEN”) and, from time to time, issues common units of fractional undivided beneficial interest (“Shares”) (in minimum baskets of 100 Shares, referred to as “Baskets”) in exchange for ZEN. The redemption of Shares is not currently contemplated and the Trust does not currently operate a redemption program. Subject to receipt of regulatory approval and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The Trust currently has no intention of seeking regulatory approval to operate an ongoing redemption program. The Trust’s investment objective is for the value of the Shares (based on ZEN per share) to reflect the value of ZEN held by the Trust, less the Trust’s expenses and other liabilities. The Trust may also receive Incidental Rights and/or IR Virtual Currency as a result of the Trust’s investment in ZEN, in accordance with the terms of the Trust Agreement.

Incidental Rights are rights to claim, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Trust’s ownership of ZEN and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust; IR Virtual Currency is any virtual currency tokens, or other asset or right, received by the Trust through the exercise (subject to the applicable provisions of the Trust Agreement) of any Incidental Right.

Grayscale Investments LLC (“Grayscale” or the “Sponsor”) acts as the Sponsor of the Trust and is a wholly owned subsidiary of Digital Currency Group, Inc. (“DCG”). The Sponsor is responsible for the day-to-day administration of the Trust pursuant to the provisions of the Trust Agreement. Grayscale is responsible for preparing and providing annual and quarterly reports on behalf of the Trust to investors and is also responsible for selecting and monitoring the Trust’s service providers. As partial consideration for the Sponsor’s services, the Trust pays Grayscale a Sponsor’s Fee as discussed in Note 6. The Sponsor also acts as the sponsor and manager of other investment products including Grayscale Bitcoin Trust (BTC) (OTCQX: GBTC), Grayscale Bitcoin Cash Trust (BCH) (OTCQX: BCHG), Grayscale Basic Attention Token Trust (BAT), Grayscale Chainlink Trust (LINK), Grayscale Decentraland Trust (MANA), Grayscale Ethereum Trust (ETH) (OTCQX: ETHE), Grayscale Ethereum Classic Trust (ETC) (OTCQX: ETCG), Grayscale Filecoin Trust (FIL), Grayscale Litecoin Trust (LTC) (OTCQX: LTCN), Grayscale Livepeer Trust (LPT), Grayscale Stellar Lumens Trust (XLM) (OTCQX: GXLM), Grayscale Zcash Trust (ZEC) (OTCQX: ZCSH), Grayscale Decentralized Finance Fund LLC (DeFi), and Grayscale Digital Large Cap Fund LLC (OTCQX: GDLC), each of which is an affiliate of the Trust. The following investment products sponsored or managed by the Sponsor are also SEC reporting companies with their shares registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Cash Trust (BCH), Grayscale Ethereum Trust (ETH), Grayscale Ethereum Classic Trust (ETC), Grayscale Litecoin Trust (LTC) and Grayscale Digital Large Cap Fund LLC.

Authorized Participants of the Trust are the only entities who may place orders to create or, if permitted, redeem Baskets. Genesis Global Trading, Inc. (“Genesis” or the “Authorized Participant”), a registered broker-dealer and wholly owned subsidiary of DCG, is the only Authorized Participant and is party to a participant agreement with the Sponsor and the Trust. Additional Authorized Participants may be added at any time, subject to the discretion of the Sponsor.

The custodian of the Trust is Coinbase Custody Trust Company, LLC (the “Custodian”), a third-party service provider. The Custodian is responsible for safeguarding the ZEN, Incidental Rights, and IR Virtual Currency held by the Trust, and holding the private key(s) that provide access to the Trust’s digital wallets and vaults.

The transfer agent for the Trust (the “Transfer Agent”) is Continental Stock Transfer & Trust Company. The responsibilities of the Transfer Agent are to maintain creations, redemptions, transfers, and distributions of the Trust’s Shares which are primarily held in book-entry form.

On October 18, 2021, the Trust received notice that its Shares were qualified for public trading on the OTCQX U.S. Marketplace of the OTC Markets Group Inc. (“OTCQX”). The Trust’s trading symbol on OTCQX is “HZEN” and the CUSIP number for its Shares is 38963T101.

On October 7, 2021, the Trust completed a 10-for-1 Share Split of the Trust’s issued and outstanding Shares. Each beneficial owner of a Share (a “shareholder”) of record as of the close of business on October 6, 2021 received nine additional Shares of the Trust for each Share held. The number of outstanding Shares and per-Share amounts disclosed for all periods presented have been retroactively adjusted to reflect the effects of the Share Split.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Trust:

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The Trust qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, *Financial Services—Investment Companies*. The Trust uses fair value as its method of accounting for ZEN in accordance with its classification as an investment company for accounting purposes. The Trust is not registered under the Investment Company Act of 1940. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.

The Trust conducts its transactions in ZEN, including receiving ZEN for the creation of Shares and delivering ZEN for the redemption of Shares and for the payment of the Sponsor’s Fee. At this time, the Trust is not accepting redemption requests from Shareholders. Since its inception, the Trust has not held cash or cash equivalents.

Principal Market and Fair Value Determination

To determine which market is the Trust’s principal market (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Trust’s net asset value (“NAV”), the Trust follows ASC 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for ZEN in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Trust to assume that ZEN is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

The Trust only receives ZEN from the Authorized Participant and does not itself transact on any Digital Asset Markets. Therefore, the Trust looks to the Authorized Participant when assessing entity-specific and market-based volume and level of activity for Digital Asset Markets. The Authorized Participant transacts in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB ASC Master Glossary (collectively, “Digital Asset Markets”). The Authorized Participant, as a related party of the Sponsor, provides information about the Digital Asset Markets on which it transacts to the Trust.

In determining which of the eligible Digital Asset Markets is the Trust’s principal market, the Trust reviews these criteria in the following order:

First, the Trust reviews a list of Digital Asset Markets and excludes any Digital Asset Markets that are non-accessible to the Trust and the Authorized Participant. The Trust or the Authorized Participant does not have access to Digital Asset Exchange Markets that do not have a BitLicense and has access only to non-Digital Asset

Exchange Markets that the Authorized Participant reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.

Second, the Trust sorts the remaining Digital Asset Markets from high to low by entity-specific and market-based volume and level of activity of ZEN traded on each Digital Asset Market in the trailing twelve months.

Third, the Trust then reviews intra-day pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.

Fourth, the Trust then selects a Digital Asset Market as its principal market based on the highest market-based volume, level of activity and price stability in comparison to the other Digital Asset Markets on the list.

The Trust determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market's trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Trust has access to, or (iii) if recent changes to each Digital Asset Market'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.

The cost basis of the investment in ZEN recorded by the Trust for financial reporting purposes is the fair value of ZEN 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 Transactions and Revenue Recognition

The Trust considers investment transactions to be the receipt of ZEN for Share creations and the delivery of ZEN for Share redemptions or for payment of expenses in ZEN. 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 or depreciation on investments. Realized gains and losses are calculated using the specific identification method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Sponsor's Fee in ZEN.

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.

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.

		Fair Value Measurement Using			
		Amount at Fair Value	Level 1	Level 2	Level 3
September 30, 2021					
Assets					
Investment in ZEN		\$42,801,643	\$—	\$42,801,643	\$—
ZEN receivable, related party		\$ 1,138,582	\$—	\$ 1,138,582	\$—
September 30, 2020					
Assets					
Investment in ZEN		\$ 2,502,119	\$—	\$ 2,502,119	\$—

3. Fair Value of ZEN

ZEN is held by the Custodian on behalf of the Trust and is carried at fair value. As of September 30, 2021 and 2020, the Trust held 615,585.26478971 and 441,290.85330434 ZEN, respectively. As of September 30, 2021, the Trust recorded a receivable of \$1,138,582 representing the contribution of 16,375.40469036 ZEN not yet delivered by the Authorized Participant, Genesis, for Shares issued by the Trust during the year ended September 30, 2021. The 16,375.40469036 ZEN was subsequently delivered by Genesis in October 2021.

The Trust determined the fair value per ZEN to be \$69.53 and \$5.67 on September 30, 2021 and 2020, respectively, using the price provided at 4:00 p.m., New York time, by the Digital Asset Market considered to be the Trust's principal market.

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

	ZEN	Fair Value
Balance at October 1, 2019	369,287.28374362	\$ 1,233,419
ZEN contributed	83,829.14798236	597,288
ZEN distributed for Sponsor's Fee, related party	(11,825.57842164)	(81,180)
Net change in unrealized appreciation on investment in ZEN	—	890,756
Net realized loss on investment in ZEN	—	(138,164)
Balance at September 30, 2020	441,290.85330434	\$ 2,502,119
ZEN contributed, net of ZEN receivable, related party	188,580.88160629	4,317,694
ZEN distributed for Sponsor's Fee, related party	(14,286.47012092)	(815,977)
Net change in unrealized appreciation on investment in ZEN	—	36,229,339
Net realized gain on investment in ZEN ...	—	568,468
Balance at September 30, 2021	615,585.26478971	\$42,801,643

4. Creations and Redemptions of Shares

At September 30, 2021 and 2020, there were an unlimited number of Shares authorized by the Trust. The Trust creates (and, should the Trust commence a redemption program, redeems) Shares from time to time, but only in one or more Baskets. The creation and redemption of Baskets on behalf of investors are made by the Authorized Participant in exchange for the delivery of ZEN to the Trust or the distribution of ZEN by the Trust. The number of ZEN required for each creation Basket or redemption Basket is determined by dividing (x) the number of ZEN owned by the Trust at 4:00 p.m., New York time, on such trade date of a creation or redemption order, after deducting the number of ZEN representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust, by (y) the number of Shares outstanding at such time and multiplying the quotient obtained by 100. Each Share represented approximately 0.0924 and 0.0948 of one ZEN at September 30, 2021 and 2020, respectively.

The cost basis of investments in ZEN recorded by the Trust is the fair value of ZEN, as determined by the Trust, at 4:00 p.m., New York time, on the date of transfer to the Trust by the Authorized Participant based on the creation Baskets. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of each Share to investors. The Authorized Participant may realize significant profits buying, selling, creating, and, if permitted, redeeming Shares as a result of changes in the value of Shares or ZEN.

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

If the Trust were not properly classified as a grantor trust, the Trust might be classified as a partnership for U.S. federal income tax purposes. However, due to the uncertain treatment of digital currencies, including forks, airdrops and similar occurrences for U.S. federal income tax purposes, there can be no assurance in this regard. If the Trust were classified as a partnership for U.S. federal income tax purposes, the tax consequences of owning Shares generally would not be materially different from the tax consequences described herein, although there might be certain differences, including with respect to timing. In addition, tax information reports provided to beneficial owners of Shares would be made in a different form. If the Trust were not classified as either a grantor trust or a partnership for U.S. federal income tax purposes, it would be classified as a corporation for such purposes. In that event, the Trust would be subject to entity-level U.S. federal income tax (currently at the 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.

In accordance with GAAP, the Trust has defined the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the applicable taxing authority and requires measurement of a tax position meeting the "more-likely-than-not" threshold, based on the largest benefit that is more than 50% likely to be realized. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax benefit or expense in the current period. As of and during the years ended September 30, 2021 and 2020, the Trust did not have a liability for any unrecognized tax amounts. However, the Sponsor's conclusions concerning its determination of "more-likely-than-not" tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance, and on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Sponsor of the Trust has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions related to federal, state and local income taxes existed as of September 30, 2021 or 2020.

6. Related Parties

The Trust considers the following entities, their directors, and employees to be related parties of the Trust: DCG, Genesis, Grayscale and TradeBlock, Inc. As of September 30, 2021 and 2020, 3,753,580 and 3,174,660 Shares of the Trust were held by related parties of the Trust, respectively.

The Sponsor's parent, an affiliate of the Trust, holds a minority interest in Coinbase, Inc., the parent company of the Custodian, that represents less than 1.0% of Coinbase, Inc.'s ownership.

In accordance with the Trust Agreement governing the Trust, the Trust pays a fee to the Sponsor, calculated as 2.5% of the aggregate value of the Trust's assets, less its liabilities (which include any accrued but unpaid expenses up to, but excluding, the date of calculation), as calculated and published by the Sponsor or its delegates in the manner set forth in the Trust Agreement (the "Sponsor's Fee"). The Sponsor's Fee accrues daily in U.S. dollars and is payable in ZEN, monthly in arrears. The amount of ZEN payable in respect of each daily U.S. dollar accrual will be determined by reference to the same U.S. dollar value of ZEN used to determine such accrual. For purposes of these financial statements, the U.S. dollar value of ZEN is determined by reference to the Digital Asset Market that the Trust considers its principal market as of 4:00 p.m., New York time, on each valuation date. The Trust held no Incidental Rights or IR Virtual Currency as of September 30, 2021 and 2020. No Incidental Rights or IR Virtual Currencies have been distributed in payment of the Sponsor's Fee during the years ended September 30, 2021 and 2020.

As partial consideration for receipt of the Sponsor's Fee, the Sponsor is obligated under the Trust Agreement to assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including marketing fees; administrator fees, if any; custodian fees; transfer agent fees; trustee fees; the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year; ordinary course legal fees and expenses; audit fees; regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act; printing and mailing costs; the costs of maintaining the Trust's website and applicable license fees (the "Sponsor-paid Expenses"), provided that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

The Trust may incur certain extraordinary, non-recurring expenses that are not Sponsor-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), any indemnification of the Custodian or other agents, service providers or counterparties of the Trust, the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively "Additional Trust Expenses"). In such circumstances, the Sponsor or its delegate (i) will instruct the Custodian to withdraw from the ZEN account ZEN, 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 ZEN, 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 ZEN, Incidental Rights and/or IR Virtual Currency in kind in satisfaction of such Additional Trust Expenses.

For the years ended September 30, 2021 and 2020, the Trust incurred Sponsor's Fees of \$815,977 and \$73,795, respectively. As of September 30, 2021 and 2020, there were no accrued and unpaid Sponsor's Fees. In addition, the Sponsor may pay Additional Trust Expenses on behalf of the Trust, which are reimbursable by the Trust to the Sponsor. For the years ended September 30, 2021 and 2020, the Sponsor did not pay any Additional Trust Expenses on behalf of the Trust.

As of September 30, 2021, the Trust recorded a receivable of \$1,138,582 representing the contribution of 16,375.40469036 ZEN not yet delivered by the Authorized Participant, Genesis, for Shares issued by the Trust during the year ended September 30, 2021. The ZEN receivable, related party, includes unrealized depreciation of \$449,395 which is recorded in Net change in unrealized appreciation on investment in ZEN in the Statements of Operations for the year ended September 30, 2021. The 16,375.40469036 ZEN was subsequently delivered by Genesis in October 2021.

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, ZEN. Investing in ZEN is currently highly speculative and volatile.

The net asset value of the Trust relates primarily to the value of ZEN held by the Trust, and fluctuations in the price of ZEN could materially and adversely affect an investment in the Shares of the Trust. The price of ZEN has a limited history. During such history, ZEN prices have been volatile and subject to influence by many factors, including the levels of liquidity. If Digital Asset Markets continue to experience significant price fluctuations, the Trust may experience losses. Several factors may affect the price of ZEN, including, but not limited to, global ZEN supply and demand, theft of ZEN from global exchanges or vaults, competition from other forms of digital currency or payment services, global or regional political, economic or financial conditions, and events and other unforeseen market events and situations.

The ZEN held by the Trust are commingled and the Trust's Shareholders have no specific rights to any specific ZEN. In the event of the insolvency of the Trust, its assets may be inadequate to satisfy a claim by its shareholders.

There is currently no clearing house for ZEN, nor is there a central or major depository for the custody of ZEN. There is a risk that some or all of the Trust's ZEN could be lost or stolen. There can be no assurance that the Custodian will maintain adequate insurance or that such coverage will cover losses with respect to the Trust's ZEN. Further, transactions in ZEN are irrevocable. Stolen or incorrectly transferred ZEN may be irretrievable. As a result, any incorrectly executed ZEN transactions could adversely affect an investment in the Shares.

The Securities and Exchange Commission (the "SEC") has stated that certain digital assets may be considered "securities" under the federal securities laws. The test for determining whether a particular digital asset is a "security" is complex and the outcome is difficult to predict. If ZEN 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 ZEN. For example, it may become more difficult for ZEN 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 ZEN and cause users to migrate to other digital assets. As such, any determination that ZEN is a security under federal or state securities laws may adversely affect the value of ZEN and, as a result, an investment in the Shares.

To the extent that ZEN is determined to be a security, the Trust and the Sponsor may also be subject to additional regulatory requirements, including those under the Investment Company Act of 1940, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act of 1940. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust's ZEN at a time that is disadvantageous to shareholders.

To the extent a private key required to access a ZEN address is lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Trust may be unable to access the ZEN controlled by the private key and the private key will not be capable of being restored by the ZEN network. The processes by which ZEN transactions are settled are dependent on the 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 ZEN.

The Trust relies on third party service providers to perform certain functions essential to its operations. Any disruptions to the Trust's or the Trust's service providers' business operations resulting from business restrictions, quarantines or restrictions on the ability of personnel to perform their jobs as a result of the COVID-19 pandemic could have an adverse impact on the Trust's ability to access critical services and would be disruptive to the operation of the Trust.

8. Financial Highlights Per Share Performance

	Years Ended September 30,	
	2021	2020
Per Share Data:		
Net asset value, beginning of year	\$ 0.54	\$ 0.32
Net increase in net assets from investment operations:		
Net investment loss	(0.13)	(0.02)
Net realized and unrealized gain	6.02	0.24
Net increase in net assets resulting from operations	5.89	0.22
Net asset value, end of year	\$ 6.43	\$ 0.54
Total return	1,090.74%	69.76%
<i>Ratios to average net assets:</i>		
Net investment loss	-2.50%	-2.50%
Expenses	-2.50%	-2.50%

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 year and assuming redemption on the last day of the year.

9. Indemnifications

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

10. Subsequent Events

As of September 30, 2021, the Trust recorded a receivable of \$1,138,582 representing the contribution of 16,375.40469036 ZEN not yet delivered by the Authorized Participant, Genesis, for Shares issued by the Trust

during the year ended September 30, 2021. The ZEN receivable, related party, includes unrealized depreciation of \$449,395 which is recorded in Net change in unrealized appreciation on investment in ZEN in the Statements of Operations for the year ended September 30, 2021. The 16,375.40469036 ZEN was subsequently delivered by Genesis in October 2021.

On October 7, 2021, the Trust completed a 10-for-1 Share Split of the Trust's issued and outstanding Shares. Each beneficial owner of a Share of record as of the close of business on October 6, 2021 received nine additional Shares of the Trust for each Share held. The number of outstanding Shares and per-Share amounts disclosed for all periods presented have been retroactively adjusted to reflect the effects of the Share Split.

On October 18, 2021, the Trust received notice that its Shares were qualified for public trading on the OTCQX U.S. Marketplace of the OTC Markets Group Inc. The Trust's trading symbol on OTCQX is "HZEN" and the CUSIP number for its Shares is 38963T101.

As of the close of business on November 16, 2021 the fair value of ZEN determined in accordance with the Trust's accounting policy was \$83.00 per ZEN.

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.