



Open Letter to Barry Silbert regarding Grayscale Bitcoin Trust from Osprey Funds CEO Greg King

January 13, 2023

Dear Barry,

I know it's been a rough year and it's only two weeks old. Maybe we can help.

I am writing to you in your capacity as the controlling shareholder of Digital Currency Group, Inc., which owns Grayscale Investments LLC ("Grayscale"), the sponsor of the Grayscale Bitcoin Trust ("GBTC"). I think you should use your powers to cause Grayscale to withdraw as sponsor of GBTC and name Osprey sponsor instead.

If appointed, Osprey would enact the following measures:

1. We would slash the management fee to 0.49%, and clean up the expense structure of the fund which contains significant conflicts of interest.
2. We would seek to implement a redemption program as soon as possible.
3. We would pursue a listing on NYSE immediately (where I have listed dozens of exchange-traded products during my career) but from a position of collaboration with regulators. For example, we would not engage in any lawsuits against the SEC, but instead, would work directly with Congress to enlighten the SEC as to the rationale of approving the fund as an exchange-listed, ETP.

Osprey is the best-positioned third party to manage GBTC at this point. Effective management of the Grayscale Bitcoin Trust requires specific expertise and the trust of both regulators and all market participants. Grayscale and Osprey are the only providers with the required skillset, but only Osprey has the trust.

In terms of expertise, we believe at least three proven capabilities are necessary:

- The manager must be familiar with the custody and mechanics of operating a physical bitcoin-related fund. Osprey has managed OBTC successfully for three years, working with both Fidelity and Coinbase as custodians, and handling hundreds of millions of dollars worth of physical bitcoin seamlessly.
- Second, the manager must be familiar with operating an OTC-traded grantor trust subject to SEC reporting requirements. These products involve many complexities not well understood by other fund management companies, including those that operate ETFs or closed-end funds. We know this through first-hand experience. Learning the ropes on OTC-traded trusts was something that came to us only by actually doing it. Osprey obtained ticker-based trading for

OBTC in February 2021 and caused it to become a voluntary SEC-reporting entity in September 2021. OBTC's SEC filings are all current and in good standing.

- Third, the manager must be familiar with the operation of ETPs, as it is the goal of GBTC to one day become an ETP. Our team has significant experience with the management of ETPs, which are much different than closed-end funds, and [we will take a constructive approach to working with regulators](#) and the exchanges to get GBTC full ETP privileges as soon as possible.

Mistrust of Grayscale and its many affiliated relationships has become a major concern for many GBTC holders and other market participants. We note that the Fir Tree Capital Management complaint highlights many of these concerns. There have also been many concerns articulated about Grayscale's high fees, lack of transparency and alleged stall tactics related to GBTC's opportunities to enact a redemption program.

At Osprey, we have done our best to instill and maintain trust with our funds' shareholders. Here are a few of the ways we have done that:

- Our market makers are all unaffiliated third-party broker-dealers.
- Our custodian, Coinbase Custody, is not an investor in us nor are we in them.
- We do not have a lending business, enabling us to be free of the conflicts that come from lending to clients who then purchase the fund to then pledge back to the lender, etc.
- We do not own GBTC, nor are we seeking to profit from the favorable market movements in GBTC that may be triggered by an announcement of our management.
- We voluntarily demonstrated ownership of the bitcoin in the Osprey Bitcoin Trust by publishing the public blockchain address on Twitter; (Grayscale still has not disclosed theirs).
- We announced a potential redemption program for OBTC in an 8k [here](#).

We believe these actions have shown and continue to demonstrate our commitment to shareholders. We urge you to install Osprey Funds as sponsor of GBTC immediately both to protect GBTC holders and provide confidence to the non-DCG-affiliated stakeholders of GBTC and Grayscale who have an interest in the preservation of value.

Yours truly,

Greg King
Founder & CEO
Osprey Funds, LLC