

August 2023 Investor Update

ProChain Capital decreased in value **-9.68%** in August.

Year-to-date, ProChain has gained **+28.44%**.

Cryptocurrency investment is a MUST in every portfolio.

ProChain's ordinary investor class has just a **\$100,000** initial investment minimum.

To schedule a discussion, please reply at your convenience.

There has never been a better time to invest in Bitcoin...GBTC (and ETHE)...and DeFi

In short, the past weeks have removed many risks from these investments, which are >60% below previous peak prices (*i.e.* >100% upside from current prices).

Furthermore, sentiment and [liquidity](#) surrounding the asset class are awful, which [will make a price increase more pronounced](#).

Recently, the SEC decisively lost in two important court cases.

1. **Grayscale v SEC**- a Bitcoin ETF is coming.

The D.C. Court of Appeals unanimously [ordered](#) the [SEC to vacate its rejection](#) of Grayscale's bid to convert the Grayscale Bitcoin Trust (GBTC) into an ETF and review the application. The Court characterized the SEC's previous rejection as "arbitrary and capricious."

Therefore, It seems clear that we will have Bitcoin ETFs in the US soon.

In addition to Grayscale's ETF lawsuit, ETF applications have previously been filed by financial behemoths, **BlackRock** and **Fidelity**, which, if approved, [will invite institutional investors and Registered Investment Advisors into Bitcoin investment in a way we haven't previously experienced](#). Some analysts are drawing parallels to the advent of the first gold and other precious metals ETFs.

Important, valuable features of an ETF will include: (i) better tax treatment (capital gains vs ordinary income); (ii) increased liquidity; and (iii) much lower fees (currently, GBTC charges 2% per-annum; the approval of multiple ETFs could reduce fees >70%)

Incidentally, regarding GBTC

A result of the eventual GBTC conversion to an ETF will be that the current discount on GBTC, versus the price of Bitcoin (~20%), will dissipate through a rise in the price of GBTC.

Additionally, ProChain has joined other GBTC holders in litigation against Grayscale to recoup the excessive management fees charged to GBTC holders. We encourage holders of GBTC to join the suit. Information can be found [here](#) .

Furthermore, in the wake of the Grayscale GBTC win over the SEC, [Ark Invest made the aggressive and brilliant move of filing for a spot Ether ETF](#), which, in light of the ruling discussed above, is almost a sure win.

2. ***Risley v Universal Navigation***- (i) **Ether** is a **commodity** (and not a “security”) and (ii) a decentralized crypto exchange (**Uniswap**) cannot be held liable for scam tokens being traded on the exchange.

A New York District Court dismissed a proposed class action suit by a group of investors against Uniswap and its creator and said that the proper defendants are issuers of scam tokens that were traded on Uniswap, and that the exchange on which they were traded cannot be held liable. The judge likened the circumstances to trying to hold “Venmo or Zelle liable for a drug deal that used the platform to facilitate a fund transfer.”

The judge directly called **Ether**, one of the tokens cited in the lawsuit, **a commodity**.

The judge made a point of highlighting the absence of relevant regulation (**read**: Gensler’s claim that the current securities’ laws are sufficient to regulate crypto is WRONG) and concluded that the investors’ concerns “are better addressed to Congress than to this Court.”

Incidentally, the same judge that issued this decision is the judge in the SEC’s case against Coinbase (COIN).

ProChain’s conclusion: This decision confirms that DeFi is the way of the future. We’re going to get there, eventually.

Lastly, updated accounting treatment is coming for crypto holdings in the US.

Beginning in 2025, [companies that hold crypto will be able to mark-to-market](#) their holdings and recognize gains/appreciation. Currently, corporations, such as **MicroStrategy (MSTR)** have only been able to mark-down and recognize losses on crypto holdings. This change further paves the way for Bitcoin to eventually become a standard treasury asset.

ProChain in the News

[Expert calls Biden admin out for 'illogical stance' on energy](#); *Fox Business News*, Sept 8

[MicroStrategy may raise an additional three-quarters of a billion dollars to buy more bitcoin](#); *CoinDesk*, Aug 2

1. **Adoption**

a. *Investment.*

- The **IMF** is [against banning crypto](#); that’s the biggest (non)endorsement to-date from the IMF.
 - In a more positive tone, **David Rubenstein**, a founder of private equity firm Carlyle Group, stated that [Bitcoin is here to stay](#).
- Stock and Crypto Exchange, **Robinhood (HOOD)**, is [the 3rd largest holder of Bitcoin](#).

b. *Currency and Use.*

- **JPMorgan** is talking with US regulators about [a digital deposit token that would be functional for cross-border and inter-bank payments](#).
- Users of **MetaMask**, the world’s largest self-custody wallet and used by many to fund NFT purchases, has the added the function of [being able to covert from Ether to fiat currency](#).

- *ProChain*- This is progress toward a more user-friendly experience. Increased user-friendliness will increase adoption and inspire use cases. Eventually, we will get to seamless, instant and no-fee conversion.
 - **Twitter/X** has been [accumulating licenses from several States to process payments](#) including cryptocurrency.
2. **Regulation and Legal**
- Unsurprisingly, the **SEC** is [planning to appeal the ruling in the Ripple case](#), which held that sales of XRP tokens on exchanges were not securities offerings and did not violate securities laws.
 - Bitcoin mining could help [expand renewable energy production and upgrade the US power infrastructure](#).
3. **Public Companies**
- **Visa (V)**, a pioneer in integrating cryptocurrency into its systems, has announced that would start [utilizing stablecoin USDC \(Circle\) on the Solana network \(in addition to Ethereum\) to improve the speed of cross-border transactions for clients](#).
 - *ProChain*- Visa is a leader in payments. This initiative could be meaningful adoption of the Solana network, which is represented by Solana's token, **SOL**.
 - **MicroStrategy (MSTR)**, the largest public holder of Bitcoin, is [planning to issue \\$750 million of new stock](#), possibly in a bid to acquire more Bitcoin. MicroStrategy currently owns ~\$4.5B of Bitcoin.
 - **Riot Platforms (RIOT)**, a Texas based Bitcoin miner, [made >\\$30mm in August from power credits](#), essentially selling its right to power to the Texas power grid during times when residents in Texas need power most, during extreme weathers such as heat waves and winter storms.
 - This bodes well for *ProChain*'s investment in **Rhodium Enterprises**, a privately-held Texas-based miner, that is scheduled to go public.
 - Incidentally, the Bitcoin miners in Texas use power most when residents need power the least; it's an excellent symbiotic relationship that maximizes the profitability of the power grid.



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