THE PROVENANCE OF DIGITAL CREDIT

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Digital credit took four centuries to make possible.

Bitcoin arrived in 2008. Much of the financial infrastructure that allows a company to hold it as capital and issue an income-producing security is far older.

The story begins with sailing ships, passes through railroads and stock tickers, and runs through a century of tax law and securities regulation before reaching the modern brokerage account.

Understanding that history makes digital credit easier to understand. Ten foundations came together to make a product like Strategy's Stretch possible.

1. Common stock: investors can leave while capital stays

1602

In Amsterdam, merchants faced a problem that still shapes finance: a business may need capital for much longer than an individual investor wants to remain invested.

The Dutch East India Company, chartered in 1602, helped bring those needs together. Investors could own shares and transfer them to someone else. The enterprise could keep its capital working even as its owners changed.

The company and its market evolved over the following decades, becoming a formative chapter in the history of the modern corporation. By 1791, the First Bank of the United States was chartered with $10 million of capital divided into 25,000 shares.

That same separation of investment horizons matters today. A company can hold Bitcoin for years while its shareholders buy and sell their shares every day. Common stock supplies ownership, a way to raise new capital, and the residual upside and downside of the business.

2. Preferred stock: different investors, different priorities

1836

Investors wanted more than one way to finance a business. Some sought the greatest participation in its growth. Others wanted a stronger claim to regular payments.

Preferred stock offered that choice. An early American example came in 1836, when Maryland financed the Baltimore & Ohio Railroad through a preferred interest carrying a perpetual 6% preferential dividend from profits.

By 1899, Delaware's corporation law expressly recognized different classes of shares with different rights. That framework evolved into today's flexible system of dividend, voting, conversion, and redemption terms.

Preferred stock gives its holders specified priority over common shareholders, while corporate creditors remain ahead of both. It can also be perpetual, with no scheduled maturity. That makes it a useful structure for a company holding long-duration assets and making recurring distributions.

Stretch uses this familiar form. Its particular dividend design is written into the terms of the preferred share.

3. Exchanges and tickers: ownership becomes a public market

1792 · 1867 · 1971

A transferable share becomes more useful when there is somewhere to trade it and a way to discover its price.

The New York market traces its roots to the Buttonwood Agreement of 1792. By March 1866, published NYSE sale prices included preferred shares in companies such as Erie and Chicago & North Western.

Preferred shares were trading before the stock ticker existed. Edward Calahan's ticker arrived in 1867, carrying price information beyond the exchange floor. Nasdaq began operating as an electronic quotation system in 1971.

Today, public trading gives a preferred shareholder a market in which to buy or sell. It also gives the issuer a price to consider when setting its dividend policy, issuing additional shares, or repurchasing shares.

A ticker on a brokerage screen is the visible end of centuries of market development.

4. Securities and commodities: distinguish the asset from the claim

1922 · 1933–1936 · 1974

A company’s assets and the securities it issues are different things. A business can own commodities or property while investors own shares or bonds issued by that business.

American securities law developed into its modern federal form through the Securities Act of 1933 and the Securities Exchange Act of 1934. Commodity regulation developed through the Grain Futures Act of 1922, the Commodity Exchange Act of 1936, and a major expansion in 1974.

Those parallel frameworks help explain digital credit. The company owns Bitcoin as a reserve asset. The preferred shareholder owns a security issued by the company.

The reserve asset and the investment product have different roles. That distinction allows a company to organize several kinds of investment around the same balance sheet.

5. Investment-company rules: what a company owns matters

1940

The Investment Company Act of 1940 established a specialized framework for companies investing in securities, including rules affecting their capital structures.

Its well-known 40% test examines investment securities relative to total assets after excluding cash items and government securities, subject to the Act’s definitions and exclusions. The nature of the company’s business matters as well.

For a Bitcoin treasury company, directly held Bitcoin is treated differently from investment securities. Shares in a fund that owns Bitcoin are a different form of holding.

That distinction helps determine which rules govern the company’s use of common equity, preferred equity, and debt. A framework created in 1940 therefore matters to a business built around an asset introduced in 2008.

6. Return of capital: recognizing an investment coming back

1921 · 1924 · 1954

Tax law distinguishes payments that distribute corporate earnings from payments that return invested capital.

The Revenue Act of 1921 expressly directed certain distributions outside earnings and profits to reduce the shareholder’s tax basis. The 1924 Act addressed distributions exceeding that basis. The framework carried into the Internal Revenue Code of 1954 and continues today.

Consider shares purchased for $100. A $12 distribution classified entirely as return of capital reduces the investor’s basis to $88. If the investor later sells for $100, the difference is $12 of gain, ignoring other adjustments.

The benefit in that example is timing. The investor receives cash, while recognition of the corresponding gain occurs later. Once basis is exhausted, further non-dividend distributions generally produce gain.

A preferred payment can therefore be called a dividend under its corporate terms and receive return-of-capital treatment for tax purposes. The classification follows tax earnings and profits and the investor’s basis. Digital credit draws on a distinction that has been explicit in federal law for more than a century.

7. Shelf registration: prepare the financing before the opportunity

1968 · 1982–1983 · 2005

A favorable market opportunity can appear faster than a company can organize an entire public offering.

Shelf registration separates much of the preparation from the financing date. The company registers securities in advance and can offer them over time, keeping the required information current.

The Securities and Exchange Commission, or SEC, documented categories of delayed and continuous offerings in 1968. Rule 415 established the broader modern framework in 1982 and became permanent in 1983. Common stock, preferred stock, and debt all participated in the early system.

This developed through SEC rulemaking under the Securities Act of 1933. Later reforms increased flexibility, including automatic shelves for eligible large, established issuers in 2005.

For a company managing a Bitcoin balance sheet, the shelf provides financing capability that is ready when market conditions become attractive.

8. At-the-market programs: daily trading can bring in new capital

1982 · 2005

A shelf provides the registration framework. An at-the-market program, or ATM, provides a way to sell shares into an existing market at prevailing prices.

The regulatory foundation dates to Rule 415 in 1982. The 2005 reforms removed important restrictions for eligible issuers. Both common and preferred shares can use this distribution approach.

The distinction between trading and financing is simple. When two existing shareholders trade with each other, ownership changes hands. When the company sells new shares through an ATM, new capital enters the business.

A common-stock ATM reaches investors seeking the common-equity exposure. A preferred-stock ATM reaches investors seeking the preferred share's distribution terms and priority.

Strategy uses both. The amount raised depends on actual sales, market demand, prices, and the company's financing decisions.

9. Repurchases: capital management works in both directions

1828 · 1982

Issuing shares brings money into a company. Repurchasing shares uses money to reduce the claims outstanding against it.

The power has deep roots. In 1828, a Georgia court recognized a bank's ability to purchase and later resell its own stock. Modern corporation statutes expressly govern companies' acquisition of their shares.

In 1982, SEC Rule 10b-18 added a safe harbor for qualifying common-stock repurchases. Preferred repurchases follow their applicable rules outside that particular safe harbor.

For an issuer of digital credit, buying back preferred shares can retire those shares and their future dividend claims. Alongside issuance, liquidity reserves, and dividend policy, repurchases give the company another way to manage its capital as conditions change.

10. Bitcoin: the new reserve asset

2008–2009

By the early twenty-first century, most of this infrastructure was already in place. The new ingredient arrived on October 31, 2008, when Satoshi Nakamoto announced the Bitcoin whitepaper. The genesis block followed on January 3, 2009.

Bitcoin introduced a digitally native asset that a company could acquire, hold on its balance sheet, and finance through conventional capital markets.

Its regulatory position developed over time. The Commodity Futures Trading Commission, or CFTC, expressly treated Bitcoin as a commodity in 2015. A 2026 SEC interpretation, accompanied by CFTC guidance, identified Bitcoin among digital commodities that are not themselves securities.

Bitcoin supplies the reserve asset. The company supplies the capital structure, dollar liquidity, and distribution policy. Cash payments come from the issuer’s management of its business, assets, and financing.

Investors can then choose different forms of exposure: Bitcoin itself, common equity in the company, or a preferred claim designed around recurring income.

Where the Foundations Meet: Stretch

Strategy’s Stretch, traded on Nasdaq as STRC, brings these elements together.

Its initial offering closed in July 2025, raising approximately $2.521 billion before expenses. Strategy reported using the net proceeds to acquire 21,021 bitcoins.

The security combined a perpetual preferred share with a board-determined monthly dividend-rate policy designed to encourage trading around its $100 stated amount.

Variable-rate preferred shares already had a history, with public adjustable-rate issues documented by 1982. Stretch combines that broader tradition with a Bitcoin-centered balance sheet, its particular rate-setting mechanism, public trading, ongoing issuance, and coordinated capital management.

The payment design continued to evolve. An amendment effective November 1, 2026 established calendar-day dividend record dates and payments on business days, with weekend and holiday entitlements processed through the securities system's business-day arrangements.

Each element has a job. Bitcoin supports the balance sheet. Preferred stock defines the investor's claim. The exchange supplies a trading market. Shelves and ATMs connect investor demand with capital formation. Repurchases and reserves support capital management. Tax law determines the treatment of distributions.

The innovation is the way those elements work together.

Four Centuries in a Brokerage Account

Digital credit brings together more than four centuries of transferable corporate ownership, roughly 190 years of American preferred-stock history, more than a century of explicit tax-basis recovery, and over four decades of modern shelf and ATM rules.

That history gives investors familiar concepts for understanding a new combination: assets, ownership, priority, income, liquidity, and taxation.

The Dutch East India Company helped separate the life of a business from the holding period of an investor. Railroads helped develop preferred claims. Exchanges made ownership tradable. Laws and regulations supplied a durable framework. Bitcoin added a new form of capital.

Digital credit is a new chapter in a four-century story.

Sources and Further Reading

The dates above identify documented milestones. These sources provide the historical records, legal foundations, and product documents behind the story.

- Common stock: The formative years of the Dutch East India Company and the 1791 Bank of the United States charter.
- Preferred stock: Maryland's 1836 B&O financing and Delaware's 1899 corporation law.
- Markets and tickers: NYSE prices published in March 1866, the stock ticker's history, and Nasdaq's quotation system.
- Regulatory foundations: the Securities Act's definitions, commodity-regulation history, and Investment Company Act classifications.
- Return of capital: the history of the 1921 and 1924 rules, IRC §301, and IRC §316.
- Shelves and ATMs: the 1983 Rule 415 release and 2005 Securities Offering Reform.
- Repurchases: Hartridge v. Rockwell and the SEC's Rule 10b-18 guidance.
- Bitcoin: the 2008 whitepaper announcement, the 2015 CFTC action, and the 2026 SEC interpretation.
- Variable-rate preferreds: historical financing research and the Federal Reserve's December 1985 discussion.
- Stretch: the July 2025 offering, 2026 capital framework, and November 2026 dividend amendment.

Historical and product milestones through November 6, 2026.