
BITGOLD: TURNING DIGITAL CURRENCY INTO GOLD?

Brady Burke wrote this case under the supervision of Professor Jean-Philippe Vergne solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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INTRODUCTION

Bitcoin's token value is so strong because of the network effect. And that's exactly what we're doing with BitGold.¹

Blockchain technology has unleashed a wave of payments innovation that will empower people the world over by lowering costs and increasing access to safe and transparent financial services. We see gold, the asset bitcoin was designed to mimic, as an important element in this empowerment.²

Josh Crumb, co-founder and chief strategy officer of BitGold

Since my days as a professional investor I have wondered why there's no easy way to own and spend gold in a legal, transparent and tax-compliant manner.³

Roy Sebag, founder of BitGold

In April 2015, BitGold was undergoing the final steps towards its historic initial public offering (IPO), planning to raise between CA\$10 million to \$20 million⁴ on the TSX Venture Exchange. Blending blockchain technology and aspects of digital currencies like bitcoin, BitGold sought to pave a path to legitimacy for future financial technology startups by going public.

Roy Sebag and Josh Crumb co-founded BitGold in early 2014, with a mission to make gold accessible and useful in digital payments and secure savings. BitGold intended to provide global access to gold while at the same time offering digital payments based on blockchain technology.⁵

¹ R. Sebag and J. Crumb, "BitGold, Bitcoin, Gold and Money," <https://youtu.be/vOILyGOEZWE>, accessed November 22, 2015.

² M.A. McCrae, "BitGold Raises \$3.5 Million from Soros Brothers, Sandstorm Gold," January 5, 2015, www.mining.com/bitgold-raises-3-5-million-from-soros-brothers-sandstorm-gold-89051, accessed September 20, 2015.

³ K. Lee, "Loma Vista Capital Inc Announces Going Public Transaction with BitGold Inc.," Marketwired.com, January 28, 2015, www.marketwired.com/press-release/loma-vista-capital-inc-announces-going-public-transaction-with-bitgold-inc-cnsx-lov-1986825.htm, accessed April 2, 2015.

⁴ All currency in Canadian dollars unless otherwise specified.

⁵ A blockchain is a public ledger or distributed database that maintains a continuously growing list of data records that are hardened against tampering and revision, even by operators of the data store's nodes.

BitGold's IPO came on the heels of a tumultuous year for digital currencies, blockchain technologies and for bitcoin itself. While 2013 saw a meteoric rise in bitcoin's price, reaching its peak at US\$1,100, bitcoin's price in 2014 plummeted from those heights. By December 2014, bitcoin's price had dropped more than 50 per cent since the start of the year, trading in the mid-\$300 range. The world's largest bitcoin exchange, MT Gox, filed for bankruptcy and prices fluctuated throughout the year. On the other side, Dell, PayPal, Microsoft and other major corporations began accepting bitcoin payments. In Canada, bitcoin continued to be legal, regulated under anti-money laundering and counter-terrorist financing laws.

BitGold's decision to go public was not based solely on an opportunity to raise capital. Roy Sebag, BitGold's founder, indicated that his primary motivation in taking BitGold public was to build trust and legitimacy with its future customers. Sebag noted, "Going public is like a quasi-bank licence. We have corporate governance standards and an independent auditor, PriceWaterHouseCoopers, auditing or reviewing our financials four times a year under International Financial Reporting Standards."

Sebag, his co-founder Josh Crumb and the team at BitGold had some important decisions to make regarding the future of the company after the IPO. How could BitGold continue to maintain its legitimacy? How could it build its customer base and momentum? When and how could it enter the larger and more lucrative U.S. market?

HISTORY OF GOLD USE

Gold has been widely used throughout the world as money, for efficient indirect exchange and to store wealth. For exchange purposes, mints produced standardized gold bullion coins, bars and other units of fixed weight and purity.

Of the 92 naturally occurring elements on the earth, eight are known as *noble metals*. The oxygen, carbon dioxide and gases that make up our air have no tarnishing effect on these elements through the life cycles of humans. Of the eight noble metals, only four became broadly employed as commodities: gold, silver, platinum and palladium. Over thousands of years of experiments, civilizations consistently resolved that gold was the most useful element to possess and trade as an accepted form of value, with its functionality stemming from its elemental properties. Since gold needs to be produced only once and is extremely efficient over time, it can be exchanged perpetually with very little cost compared to the co-operative value it brings.

In 1944, in an effort to rebuild the international economic system, the Bretton Woods system of monetary management was established by the 44 nations that made up the Allied Powers of the Second World War. Each country was obligated to adopt a monetary policy that fixed the exchange rate to the U.S. dollar, which was backed by gold. By 1971, the U.S. share of the global output dropped, and a negative balance of payments, combined with rising debt and growing inflation, sparked a decline in U.S. gold reserves. This situation led the United States to unilaterally terminate convertibility of the U.S. dollar to gold, effectively bringing the Bretton Woods system to an end. The U.S. dollar became a fiat currency as a legal tender that is not backed by a physical commodity. Since 1971, most countries have issued their own fiat currencies.⁶

Today, gold, as a form of money, is primarily used as a store of value. In an uncertain economy, gold has emerged as a possible financial staple, as people will invest in gold through coins, bars and bullion. Gold's unique qualities also make it considerably useful in a large number of industrial applications, and as such, it also has a commodity-driven demand profile. BitGold's mission is to provide global access to gold for secure savings and transactions, making an extraordinary element useful and empowering again.

⁶ *Fiat currency is money that a government has declared to be legal tender but is not backed by a physical commodity.*

According to an information circular sent out to shareholders by BitGold's directors: "Gold has been used throughout human history as a store of monetary value, and as such, enjoys investment demand for its monetary utility. Gold's unique qualities also make it considerably useful in a large number of industrial applications, and as such it also has a commodity-driven demand profile."

BITGOLD

BitGold believed that gold would play an essential role in the development of digital currency technology, and thus, the company offered an alternative to fiat currencies, which were exposed to devaluation and inflation risks, and to modern crypto-currencies, which had no intrinsic value and suffered from price fluctuations and regulatory issues.

In March 2015, BitGold launched its desktop website platform as an invitation-only private beta. The platform allowed users to buy gold that was stored in one of the company's vaults. Customers would be able to then use the gold in their accounts to make payments in stores and online.

In a press release, Roy Sebag stated,

Payment technology breakthroughs have created a historical opportunity to solve one of the main challenges preventing gold from being useful again in daily transactions. True gold ownership requires gold to be safely vaulted and stored, making it extremely difficult to spend, especially in micro-transactions. BitGold solved this problem by developing a patent-pending technology and platform that is part gold exchange, part payments technology and part custodian, resulting in a powerful user experience that advances gold from a physical element to an instantly accessible unit of account and store of value for the Internet, an operating system for gold.

Blockchain technology created digital payments innovations that lowered costs and increased access to safe and transparent financial services. According to BitGold co-founder Josh Crumb,

The flexibility of the BitGold platform allows gold to be a core savings account coupled with digital currency for seamless global payments, or as a natural-world storage and safety valve for an inevitable Internet of money. The Internet of money should be rooted in choice and individual empowerment, and we provide that in a flexible and secure platform.

BitGold's patent pending technology, Aurum, incorporated elements of blockchain technology. For bitcoin users, the blockchain guaranteed that no one could reverse a transaction or double-spend bitcoins. But unlike the blockchain, Aurum was not a decentralized tool. Its primary function involved record entry and arbitrating the value of physical gold. BitGold's Aurum technology helped to ensure that physical gold was secure in vaults. Further, Aurum allowed for real-time audits of all the gold held in all vaults, enforcing a reconciliation of all corresponding account holders and the allocated physical gold holdings in vaults.

Aurum distributed the records in three ways:

1. Digital and physical copies were distributed to disaster-recovery backups at randomized times each day.
2. Every 24 hours, an encrypted digital copy was sent to a third-party auditor through a secure encrypted connection.
3. A third-party auditor conducted both planned and surprise audits at the Vault Custodian, ensuring that the reported gold holdings were reconciled through physical inspection.

BitGold advanced the digital payments revolution by helping people securely acquire, store and spend gold with unprecedented simplicity. Its payment service provided users with a secure vault account to purchase and hold gold, the ability to make and receive instant gold payments, and a debit card for spending gold at traditional points of sale (see Exhibit 1). Through a network of automated teller machines, customers could fund their accounts with local currency. Accounts were free to create, and all gold was fully redeemable as one-kilogram bullion bars or 10-gram (branded) Gold Cubes (see Exhibit 2). BitGold aimed to make the entire process of acquiring, storing and spending gold easy for everyone involved (see Exhibit 3).

BitGold's revenue model was based on a simple transactional fee. To buy gold, BitGold charged users a fee of 1 per cent of the official price, and in turn, users received free gold storage. To physically redeem gold bullions, users were charged \$25 for shipping and insurance. Sending and receiving gold payments was free for users, and they could sell gold within 1 per cent of its value (see Exhibit 4). BitGold purchased gold directly from an approved list of refiners whose gold met a minimum specification, bypassing manufacturers and retailers in the process (see Exhibit 5). By comparison, buying gold from traditional gold marketplaces required customers to pay a premium of anywhere from 3 per cent to 10 per cent.

BitGold created an ecosystem around the use of gold. This user-friendly model enabled greater access, security and usability of gold than ever before.

BITGOLD'S PATH TO LEGITIMACY

In all its core functions, BitGold strived to gain mainstream acceptance. Sebag's history as a value investor and hedge-fund manager, combined with Crumb's experience as a senior metal strategist at Goldman Sachs, provided BitGold with a strong financial-services background.

In 2014, BitGold successfully closed a \$3.5 million Series A financing round, attracting investments from mainstream investors. Participants in the round included PowerOne Capital, PortVesta Holdings, Sandstorm Gold, and Soros Brothers Investments, the latter run by Alexander Soros, son of billionaire investor George Soros. Following this financing round, Nolan Watson, Sandstorm CEO and chairman, stated:

I am of the firm belief that with recent advances in payment technology, we are the first generation that will have the option to easily and conveniently use gold as money. BitGold, in our opinion, is creating the best-in-class platform to make that happen. We at Sandstorm are very keen supporters of their efforts.⁷

BitGold viewed transparency and accountability as key ways to build trust with its customers. From the outset of BitGold, Sebag and Crumb proactively navigated regulatory hurdles by connecting to key politicians and legislators. The partners viewed BitGold as a "Trusted Limited Third Party," becoming an operating system for a user's vaulted gold. BitGold designed its corporate structure and organization in line with financial service best practices while running entirely on an allocated and fully redeemable ledger, with every gram, kilo or tonne of gold corresponding to a specific customer. BitGold aimed to act like a quasi-bank by working through mainstream institutions (see Exhibit 6).

The idea of combining blockchain technology and gold was not new, and other platforms aimed to effectively digitize gold. Bullion Bitcoin and Serica both blended gold, bitcoin and blockchain technology, while GoldMoney enabled users to buy gold online and store it in physical locations. BitGold pursued a different model for growth, following the path of the popular bitcoin wallet, Coinbase.

⁷ N. Hajdarbegovic, "Canadian Startup BitGold Closes \$3.5 Million Funding Round," *Coindesk.com*, December 24, 2014, www.coindesk.com/canadian-startup-bitgold-closes-3-5-million-series-funding-round/, accessed April 1, 2015.

The Competition

Bullion Bitcoin

The Bullion Bitcoin exchange operated out of London, England, allowing sophisticated investors, as defined by the U.K. financial regulator, to trade physical gold bullion for bitcoin. Bullion Bitcoin recorded all transactions on the blockchain to increase transparency. The company “fixed” the price of gold in bitcoin terms twice a day, and traders submitted bids and asks for bitcoin and gold during these sessions. The exchange then attempted to match the majority of the bids and asks.

These exchanges were restricted to sophisticated investors and professional clients, as defined by the financial services regulator in the United Kingdom. Bullion Bitcoin charged a 0.5 per cent commission on each transaction, with a minimum subscription of one kilogram of gold (about \$41,000). Adam Cleary, Bullion Bitcoin’s founder, stated: “I’m hoping to appeal to goldbugs who might be looking for a way to move their gold to bitcoin. There are also people who have made a lot off bitcoin from the early years and want to move into something tangible.”

Serica

Serica’s DigitalTangible platform was a secure asset exchange and digital money platform based in San Francisco, California. Serica brought software engineering, cryptofinance, financial custody and blockchain technology to traditional custodian finance, with the aim of helping global customers secure profits in the growing digital money space. Serica allowed investors to move value from physical gold holdings to bitcoin, which could then be stored or traded (see Exhibit 7). The company’s Proof of Custody global gold accounting ledger lowered customers’ costs for investment and portfolio management. From July to October 2014, the DigitalTangible platform had undertaken over \$210,000 in total gold sales. Additionally, its peer-to-peer trading platform completed \$35,000 in transactions in just one week.⁸

GoldMoney

GoldMoney was founded by the Turk family in 2001, offering a convenient and trusted way for consumers to buy and store precious metals. Since 2001, GoldMoney had allowed its users to buy gold online and store it in physical locations. The company boasted over 20,000 customers in 105 countries, with over \$1 billion of precious metals stored in eight state-of-the-art facilities around the world. GoldMoney also delivered physical gold to its owner or exchanged it into a desired currency. GoldMoney was a debt-free, market-leading, profitable, privately owned company. Its owners were well-established investors, including IAMGOLD (one of the 10 largest Canadian gold mining companies) and Eric Sprott, founder and chairman of Sprott Asset Management. Other notable shareholders included Doug Casey, chairman of Casey Research, and David Tice, founder of the Prudent Bear Fund. While GoldMoney did not trade in bitcoin, it offered users a method similar to BitGold’s for buying and storing gold.⁹

Coinbase

Coinbase was the world’s most popular bitcoin wallet, making it easy and secure to buy, use and accept bitcoin currency. In 2015, Coinbase raised \$75 million in Series C financing, the largest funding round to date for a bitcoin company. The round was led by DFJ Growth, with participation from existing investors,

⁸ D. Palmer, “DigitalTangible Expands Crypto 2.0 Gold Trading Platform to Asia,” *Coindesk.com*, October 1, 2014, www.coindesk.com/digitaltangible-expands-crypto-2-0-gold-trading-platform-asia/, accessed May 10, 2015.

⁹ GoldMoney, “Frequently Asked Questions,” 2015, *GoldMoney.com*, www.goldmoney.com/faq, accessed May 10, 2015.

including Andreessen Horowitz, Union Square Ventures and Ribbit Capital. The resulting capital would enable Coinbase to drive mainstream consumer and merchant adoption and further expand into international markets. Many industry observers noted that this investment round may be the moment when bitcoin went “from rebellious financial industry outsider to a member of the in-crowd.”¹⁰

By focusing on digital payments, BitGold differentiated itself from Bullion Bitcoin and Coinbase by allowing uses for gold beyond a bitcoin-gold exchange. By utilizing aspects of blockchain technology, BitGold pushed itself beyond GoldMoney’s offering (i.e., buying and storing of gold) to enable users to actually spend gold.

In a manner similar to Bitgold, Coinbase leveraged investments from mainstream institutions to help build legitimacy (see Exhibit 8).

NEXT STEPS

Sebag and Crumb faced some key decisions to continue to build out their platform for mainstream adoption of using gold in day-to-day payments. With an IPO around the corner, BitGold was prepared to move from a private beta to a full-scale launch. Key areas that BitGold now needed to face included:

- Geographic focus: BitGold’s IPO was taking place in Canada; however, as a global platform, BitGold aimed to appeal to users in developing countries around the world. Where should BitGold focus on acquiring users?
- Industry standards: How could BitGold continue to stay on the right side of the law?
- User acquisition: How could BitGold market its services to users and merchants, both in Canada and abroad?
- U.S. market: Based on the current regulatory environment, BitGold decided to wait before launching in the United States. The environment for bitcoin start-ups in the United States had been described as a “patchwork of conflicting regulations, statutory interpretations, and regulatory delays” that differs state by state.¹¹

A crucial step for BitGold’s expansion would involve seeking compliance with the National Automated Clearing House Association (NACHA). NACHA managed the development, administration and governance of the Automated Clearing House Network, the backbone for the electronic movement of money and data in the United States. Yet, without the regulatory framework of a traditional bank, how could BitGold become legitimate under the eyes of NACHA? How should BitGold orchestrate its expansion into the United States?

¹⁰ Coinbase, “Coinbase Raises \$75M from DFJ Growth, USAA, NYSE,” January 20 2015, <https://blog.coinbase.com/2015/01/20/coinbase-raises-75m-from-dfj-growth-usaa-nyse/>, accessed April 9, 2015; and M. Carney, “The Most Important Thing about Coinbase’s Mega-Round Isn’t How Much It Raised. It’s Who Invested,” Pando.com, January 20 2015, <http://pando.com/2015/01/20/sure-coinbase-raised-major-cash-but-its-who-it-aligned-itself-with-that-could-really-move-the-needle/>, accessed April 9, 2015.

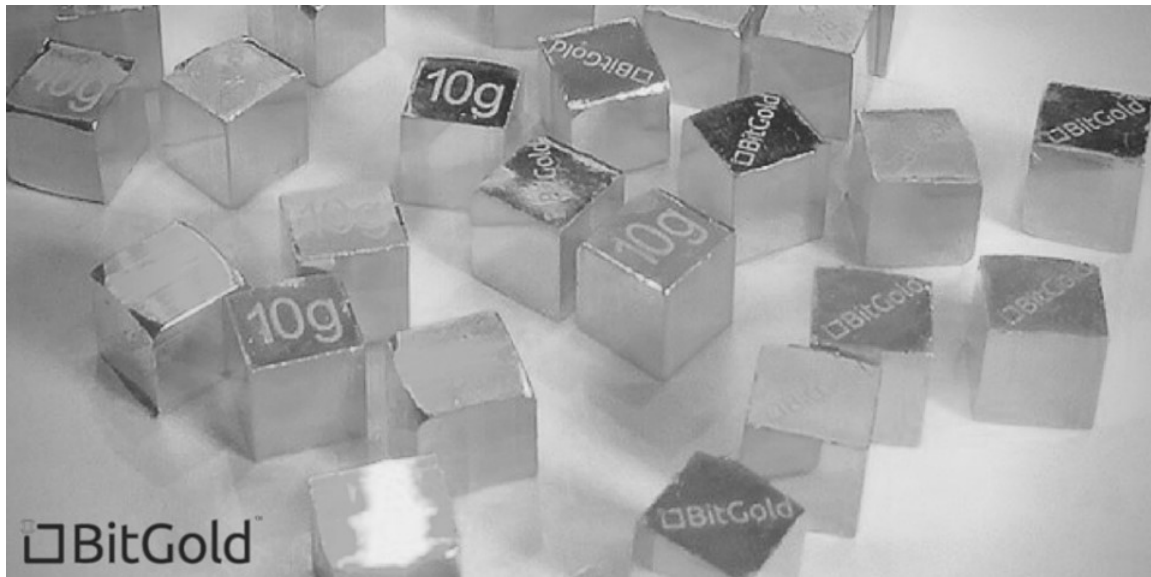
¹¹ Inside Bitcoins, “Bitcoin Startups Face a ‘Patchwork’ of U.S. State Regulations and Delays,” *Insidebitcoins.com*, December 22, 2014, <http://insidebitcoins.com/news/bitcoin-startups-face-a-patchwork-of-us-state-regulations-and-delays/27871>, accessed May 10, 2015.

EXHIBIT 1: BITGOLD'S DEBIT CARD











Source: Company files.

EXHIBIT 2: BITGOLD'S 10-GRAM GOLD CUBES



Source: Company files.

EXHIBIT 3: BITGOLD'S VALUE TO USERS

 <p>Buy Gold Easily</p> <p>Within 1% of official gold price.</p>	 <p>Store Gold For Free</p> <p>Over 10 physical Brinks locations.</p>	 <p>Fully Redeemable</p> <p>As 10g Gold Cubes or 1kg Bars.</p>	 <p>Send & Receive Gold for Free</p> <p>As payment to & from any BitGold user.</p>
 <p>Spend Gold Globally</p> <p>At any point of sales with your BitGold MasterCard.</p>	 <p>For Sellers</p> <p>Accept gold from the BitGold network or credit cards.</p>	 <p>Fully Insured</p> <p>Insured by Lloyds of London against theft or loss.</p>	 <p>Convert Bitcoin</p> <p>Instant conversion of digital value to physical value.</p>

Source: Company website.

EXHIBIT 4: BITGOLD'S FEE STRUCTURE

<p>Buying Gold</p> <p>Gold is always within</p> <p>1%</p> <p>of official price</p> <hr/> <p>Free</p> <p>Gold Storage</p>	<p>Redeeming Gold</p> <p>Gold is always within</p> <p>1%</p> <p>of official price</p> <hr/> <p>Physical Vault Redemption</p> <p>\$25</p> <p>+ Shipping / Insurance</p>	<p>Paying with Gold</p> <table border="0"> <tr> <td>Send or Receive Gold Payments</td> <td>Free</td> </tr> <tr> <td>BitGold Plastic MasterCard</td> <td>Free</td> </tr> </table> <hr/> <p>Transactions for Sellers</p> <table border="0"> <tr> <td>Invoiced to BitGold Users</td> <td>1% of Value¹</td> </tr> <tr> <td>Accept Credit / Debit & Bitcoin</td> <td>2% of Value¹</td> </tr> </table> <p>VISA MasterCard UnionPay Bitcoin</p>	Send or Receive Gold Payments	Free	BitGold Plastic MasterCard	Free	Invoiced to BitGold Users	1% of Value¹	Accept Credit / Debit & Bitcoin	2% of Value¹
Send or Receive Gold Payments	Free									
BitGold Plastic MasterCard	Free									
Invoiced to BitGold Users	1% of Value¹									
Accept Credit / Debit & Bitcoin	2% of Value¹									

Source: Company files.

EXHIBIT 5: GOLD INDUSTRY'S VALUE CHAIN

Source: A. Gilroy, "Investing in Gold: A Must-Read Value Chain Analysis," *Yahoo Finance*, September 23, 2014, <http://finance.yahoo.com/news/investing-gold-must-read-value-210111836.html>, accessed April 2, 2015.

EXHIBIT 6: REGULATION, SECURITY AND COMPLIANCE PROCESSES FOR BITGOLD

- **Ontario Corporation Supervised by FINTRAC**
BitGold Inc. is a federally chartered Canadian Corporation regarded by Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") as a dealer in precious metals and stones.
- **Physical Presence and Location**
Our headquarters and primary operations are based out of Toronto, Canada and our corporate address is: 334 Adelaide St. West 3rd Floor, Toronto, Ontario M5V 1R4 Canada. Our Toll Free Phone Number is: 1-800-854-7418.
- **Financial Statement of Condition**
BitGold Inc. is preparing to list on the Toronto Stock Exchange ("TSX") Venture. We will be required by the exchange to report our audited or independently reviewed financial condition four (4) times a year. These financial statements can be found in our investor relations page.
- **Legal Requirement for .9995 (99.95%) Pure Gold**
Our Corporate By-Laws require that we must buy or sell assayed and stamped .9995 pure (99.95%) or better bullion-grade gold for the benefit of customers from an approved list of Refiners and Assayers whose gold meet the minimum specification set by the London Bullion Market Association ("LBMA") or New York Mercantile Exchange division Commodity Exchange, Inc. ("COMEX").

EXHIBIT 6 (CONTINUED)

- **Big-Four Accounting Firm**

BitGold Inc. financial statements are audited by PriceWaterhouseCoopers, one of the largest auditing firms in the world with its roots tracing back to 1849. BitGold Inc. financial statements are audited according to International Financial Reporting Standards (IFRS).
- **Corporate Governance**

BitGold Inc. has adopted best practices in Corporate Governance. The corporation is governed by a Board of Directors that includes two Independent Directors. The Board of Directors has implemented a Code of Conduct, Code of Ethics, Internal Audit Policy and Whistle Blower Policy.
- **Segregation of Customer Gold**

BitGold Inc. Corporate By-Laws mandate that any customer transactions be carried out in our segregated subsidiary BitGold Vault Inc.
- **No Legal Rights to Customer Gold**

Every metric gram, kilogram, or tonne of gold that a customer has acquired through BitGold is owned and allocated to the customer once transactions have settled. BitGold Inc. Customer Agreement and Terms of Service unequivocally state that all customer assets are held by BitGold Inc. as bailee for the benefit of customers. A "bailment" occurs when a person (the "bailor") delivers personal property into the possession of another person (the "bailee") for safekeeping but retains legal title to the property. The bailee (the person who has possession of the goods) holds possession of the property on the understanding that the property will be returned to the bailor (you) once the bailment relationship is terminated according to the bailor's (your) instructions.
- **100% Insurance Coverage on Gold**

Our Corporate By-Laws require that we maintain adequate insurance coverage on all vaulted gold for the benefit of customers. Currently, this insurance is provided by Lloyds of London through our vaulting partner The Brink's Company ("BRINKS").
- **Gold Custody and Vaulting**

Our Corporate By-Laws require the company to secure all physical gold at LBMA or COMEX approved Vaults under fully allocated, segregated, accounts for the benefit of customers. Currently, BitGold Inc. has partnered with The Brink's Company ("BRINKS") one of the most trusted names in vault security with roots tracing back to 1859.
- **Bank-Grade KYC/AML Protocols and Policy**

BitGold Inc. maintains bank-grade Know Your Customer ("KYC") and Anti-Money Laundering ("AML") policies. Every account holder is required to upload their government-issued ID and goes through an on-boarding process that includes a background check and mobile phone verification. Ongoing compliance and surveillance of suspicious activity is reported to relevant regulatory agencies. We implement these policies not to preclude anyone from the service, but to strengthen the integrity of our company for all stakeholders. We believe there is a legal opportunity to empower people with access to gold within existing laws and regulations.

EXHIBIT 6 (CONTINUED)

- **Real-Time Audit of Gold**

Our patent-pending Aurum technology is directly integrated with the Vault Custodian. This allows for real-time "audits" of the gold in all vaults enforcing a reconciliation of all corresponding account holders and the allocated physical gold holdings vaulted with the Vault Custodian. Aurum distributes these records in three ways:

1. Digital and physical copies are distributed to disaster recovery backups at randomized times each day.
2. Every 24 hours, an encrypted digital copy is sent to a third party auditor via an secure encrypted connection.
3. A third party auditor conducts planned and surprise audits at the Vault Custodian ensuring the reported gold holdings are reconciled through physical inspection.

- **Promoting Tax Compliance**

Spending Gold or transacting in gold is not illegal, it has just been challenging to record for taxes historically given gold being a physical metal. Spending gold is essentially a sale of gold to the person initiating the transaction with the value of the gold at the time being recorded in local currency value. To the person on the receiving end, the value of gold in local currency must be recorded as revenue. BitGold provides our users with tools that do this effortlessly while also maintaining a running account of your "Gains and Losses" every year for gold vs. your legal sovereign currency. This allows you to legally transact and save in gold while paying any taxes on the gains.

- **Military Grade Encryption**

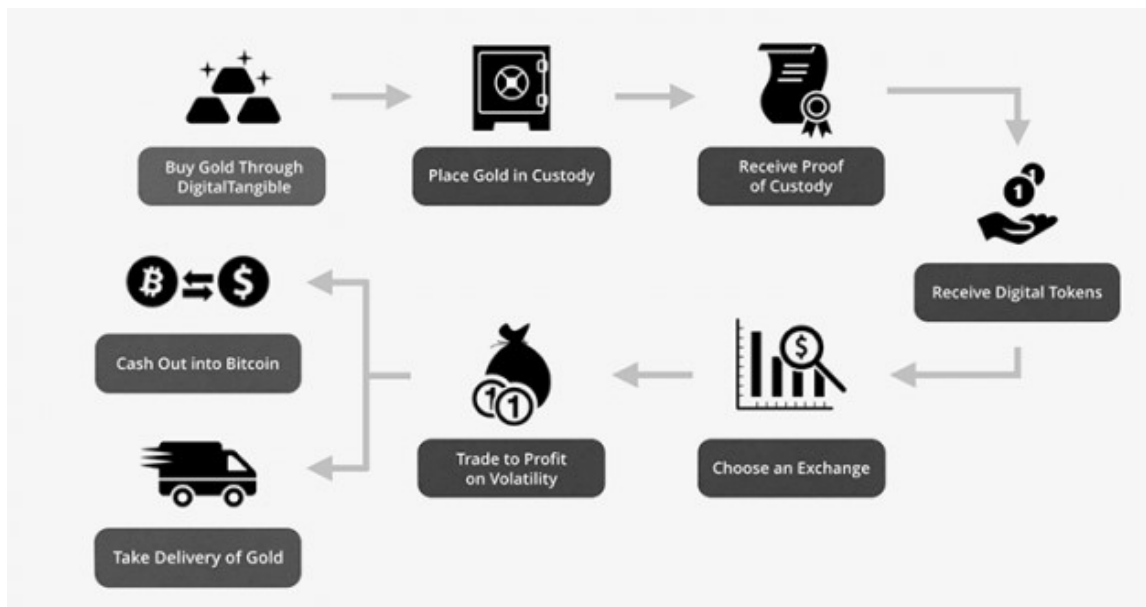
The BitGold Platform uses military grade encryption (RSA 4096 and AES 256) to secure your account and personal information.

- **Multi-Factor Authentication**

Every account at BitGold is verified using multi-factor authentication. The methods we use are: email, phone (sms), and strong password. For additional security it is possible to enable the OTP verification (sms or smartphone app) on logon and for transactions authorization.

Source: Company website.

EXHIBIT 7: SERICA'S DIGITALTANGIBLE PLATFORM



Source: D. Palmer, "Digital Tangible Expands Crypto 2.0 Gold Trading Platform to Asia," *Coindesk*, October 1, 2014, www.coindesk.com/digitaltangible-expands-crypto-2-0-gold-trading-platform-asia/, accessed May 10, 2015.

EXHIBIT 8: BITGOLD'S COMPARABLES

	BitGold	Bullion Bitcoin	Serica	GoldMoney	Coinbase
Currencies Accepted	Gold, bitcoin and fiat currencies	Gold and bitcoin	Gold and bitcoin	Gold, precious metals and fiat currencies	Bitcoin and fiat currencies
Potential Users	Anyone who wants to buy and sell gold	'Sophisticated investors,' people who invest in Gold or bitcoin	Gold investors	Anyone who wants to buy and sell gold	Bitcoin users
Uses of Platform	Exchanging currencies, payments and physical/online storage	Exchanging currencies and physical/online storage	Exchanging currencies	Exchanging precious metals with currencies and storing precious metals in a cost-effective way	Exchanging currencies, payments, and physical/online storage
Use of Blockchain Technology?	Limited – Aurum is a centralized system. Sebag aims to use the blockchain to tap into new efficiencies.	Yes	Yes	No	Yes

Source: P. Rizzo, "BitGold Backed By Sprott in Public Stock Market Deal," *Coindesk*, January 28, 2015, www.coindesk.com/sprott-bitgold-public-stock-market-deal/, accessed May 10, 2015.