

EXHIBIT 5

From: Lawyer 1
Sent: Thur 10/15/2015 3:32:13 PM (UTC)
To: Roger Ver <roger@memorydealers.com>
Cc: Return Preparer 1
Subject: Re: Rental income, bitcoin valuation, update on company appraisals

Dear Roger,

Please see inline replies below.

Lawyer 1
Law Firm 1

On 2015/10/14 22:36, Roger Ver wrote:

> Hi Lawyer 1,
>
> Actually I think there have been some recent rules made in the USA.
>
> According to Other Lawyer
> the world's leading Bitcoin lawyer, in the United States, Bitcoin is a:
>
> "currency" for the purposes of the Bank Secrecy Act.
> "commodity" for the purposes of the Commodity Exchange Act
> "money" for the purposes of the Securities Act
> "property" under the Internal Revenue Code.
> <https://www.irs.gov/uac/Newsroom/IRS-Virtual-Currency-Guidance>
The IRS is using the term "property" to contrast with currency. It more
or less means "anything you own that isn't USD or recognized as a
foreign currency". The main difference between property and currency in
this context is that BTC are not subject to foreign currency gains rules.

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>
> If the IRS says it is property, then perhaps I should just have it
> appraised just like I did with my companies previously?
This is consistent with our understanding. You can appraise your BTC
holding and use that as your BTC value. Though I emphasize that you are
allowed to do this because of the size of the BTC holding: For small
BTC holdings, you have to use exchange rates.

>
> If it would be helpful, I am more than happy to make an production to
> Other Lawyer as well.
>
> For the record, I don't have 200,000 bitcoins, but my biggest concern
> for the ones I do have, is figuring out which bitcoins belong to me
> personally, vs MemoryDealers.com <<http://MemoryDealers.com>> inc.
> I don't want there to be any future problems between these two, so I'm
> not sure how that should be handled either.
>

> Thank you both,

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> Roger Ver

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>> On Oct 15, 2015, at 5:16 AM, Lawyer 1

rote:

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>> Dear Roger,

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>> We did some additional research on valuation of your BTC.

>>

>> Not surprisingly, the IRS has no rules about cryptocurrency

>> specifically, but we can compare BTCs to publicly traded stock. This is

>> how it works for publicly traded stock.

>>

>> DEFAULT RULE

>> Unit price is the exchange price. Total value is number of shares

>> multiplied by unit price.

>>

>> EXCEPTION FOR LARGE SHAREHOLDERS

>> If you own a block of shares that you cannot sell without depressing the

>> market, then you can take this effect into consideration and discount

>> the shares. However, because the default rule is number of shares times

>> unit price, it is up to the shareholder to establish the discounted price.

>>

>> NEXT ACTION

>> We think you can use this valuation method for your BTC. However,

>> because we have the burden of proving the value is not number of BTC

>> times exchange price, we would like an appraisal of your BTC value by a

>> third party who has no personal interest in the tax implications of the

>> appraisal. Do you know someone who is qualified to appraise your BTC

>> holdings who can do this?

>>

>> Best regards,

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>> Lawyer 1

>> Law Firm 1

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>> On 2015/10/13 23:01, Roger Ver wrote:

>> > Hi ^{Return Prepare}

>> >

>> > Completely hypothetically speaking, what would the ramifications be

>> > if I were to have had 200,000 BTC at the time of my renunciation?

>> >

>> >

>> > Since the total trade volume for the day, world wide was only about

>> \$12M USD, and there would have been no possible way to liquidate that
>> many bitcoins without crashing the price to the low double digits, it
>> wouldn't seem fair for a valuation to be assessed at more than the
>> total trade volume for that day.

>> >

>> > I look forward to hearing your thoughts,

>> >

>> > Roger Ver

>> >

>> >> On Oct 14, 2015, at 6:02 AM, Return Preparer 1

wrote:

>> >>

>> >>

>> >> Roger,

>> >>

>> >> Just wanted to come back to the bitcoin issue at this point as it
>> is still on my open items list. We have the cost basis in our records;
>> the other item we need is the number of bitcoins you owned on
>> expatriation date. As previously mentioned, if it is not possible to
>> determine this with certainty a reasonable estimate is acceptable for
>> our purposes.

>> >>

>> >> Kind regards,

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>> >> Return Preparer 1

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>> >> Return Preparer 1

>> >> Law Firm 1

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>> >> On 8/12/15 10:50 AM, Lawyer 1 wrote:

>> >>> Dear Roger,

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>> >>> Regarding the valuation of the bitcoins:

>> >>>

>> >>> The Treasury Regulations require us to value gifts of property on
>> a per

>> >>> unit basis. You can see this in the general rules for valuation of
>> >>> property under regulation section 25.2512-1 ("The value is
>> generally to

>> >>> be determined by ascertaining as a basis the fair market value at the
>> >>> time of the gift of each unit of the property") and in the
>> valuation of

>> >>> stocks and bonds under section 25.2512-2.

>> >>>

>> >>> The logic behind this rule is that when the property can be
>> divided into

>> >>> individual units, the holder can theoretically sell them in discrete
>> >>> batches within a small interval of time and not depress the market.

>> >>>

>> >>> The average per unit price of bitcoins on the day before your

>> >>> expatriation was \$800, as established by the average trading price of
>> >>> all volume of trades that occurred on that day.

>> >>>

>> >>> The result prejudices the assets of significant holders of a limited
>> >>> market--for example, your bitcoin holdings or the shares of a
>> >>> significant shareholder of a public corporation--, but it is
>> >>> unfortunately the rule that the law prescribes.

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>> >>> Best regards,

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>> >>> Lawver 1

>> >>> Law Firm 1

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>> >>> On 2015/08/12 09:27, Roger Ver wrote:
>> >>>> Hi [REDACTED],
>> >>>> Please see my answers inline below.
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>> >>>>> On Aug 12, 2015, at 5:32 AM, [REDACTED] wrote:
>> >>>>>
>> >>>>>
>> >>>>> Hi Roger,
>> >>>>>
>> >>>>> Three items for this email -- rental income, bitcoin valuation,
>> and company appraisals.
>> >>>>>
>> >>>>>
>> >>>>> 1. Rental income. I am going through the rental income
>> worksheets you had provided earlier this year, getting the data ready
>> for entry into the tax returns, and a few questions came up.
>> >>>>>
>> >>>>> • I noticed some months have a negative income amount. Some have
>> notes in the spreadsheet, but most don't. I attached the Hawaii
>> properties spreadsheet for your reference. Do these negative numbers
>> in the rental income section reflect expenses in excess of rental income?
>> >>>> That is correct.
>> >>>>>
>> >>>>> • If the rental income numbers include expenses paid on each
>> property, that leads me to 2 more questions:
>> >>>>> 1) Is it possible to get a breakdown of gross rent received and
>> a list of expenses by property?
>> >>>> I've attached all the statements I have for 2014. It likely
>> isn't worth spending much time on because your fee would likely
>> quickly surpass any tax savings.
>> >>>> The property manager was also the real-estate agent I asked to
>> sell all the properties initially. After she didn't manage to sell
>> them after a year, I hired a new realtor that sold just about all of
>> them within a few months.
>> >>>> Unfortunately, the original realtor / property manager is no
>> longer responsive because she lost me as a customer.

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>> >>>>> 2) Assuming the rental income amounts are net amounts and not
>> gross, should I expect that the net rent income amounts provided here
>> do _not_ include the annual expenses for property tax, mortgage
>> interest, and HOA fees? I am asking this because those expenses were
>> provided separately to us, and I want to make sure we are not
>> double-counting them.
>> >>>> All of those expenses were paid separately by myself, so you are
>> not double counting them.
>> >>>>>
>> >>>>> • Where the rental income amounts fluctuate month to month, is
>> that to reflect expenses being paid in some months (if the rental
>> income amount shown here is net and not gross), or is there an actual
>> fluctuation in the rent collected?
>> >>>> This would be due to a fluctuation in expenses month to month,
>> not a fluctuation in the gross rent.
>> >>>>>
>> >>>>> • Perhaps it would be helpful to have a bit of background on
>> this, as well -- are the Hawaii rentals for the most part long term
>> rentals occupied by persons who reside there, or short term vacation
>> rentals?
>> >>>> They were all long term rentals.
>> >>>> In 2015 I managed to sell all of them. (with one left that will
>> be sold by the end of the year)
>> >>>>>
>> >>>>>
>> >>>>> 2. Bitcoin valuation.
>> >>>>>
>> >>>>> • **Lawyer 1** has researched this and determined that the we will
>> have to use the \$800 per bitcoin FMV when doing the deemed sale for
>> expatriation. Basically, there is no provision that we can find in the
>> Code that allows us to take into account how thin the market is when
>> doing this type of valuation. Therefore, to determine the total FMV of
>> bitcoins you owned at expatriation date, I will need you to provide me
>> with the number of bitcoins you owned as of that day (if exact number
>> is unknown, your best attempt at approximation will suffice).
>> >>>> This seems impossible and unreasonable.
>> >>>> How could the Fair Market Value be greater than the size of
>> the entire market?
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>> >>>>> • The basis you provided -- \$2,127,454 as COGS for
>> www.bitcoinstore.com <<http://www.bitcoinstore.com>> plus two separate
>> purchases for \$320,000 and \$100,000 constitute your basis in the
>> bitcoins. The cost to build the website is not included in the
>> bitcoins' basis.
>> >>>>>
>> >>>>>
>> >>>>> 3. Company appraisals. I just am following up to find out the

>> status of these. [REDACTED], perhaps you can update me on this? I have
>> notes that appraisals were ordered for the following:
>> >>>>>
>> >>>>> - Memory Dealers
>> >>>>> - Agilestar
>> >>>>> - [REDACTED]
>> >>>>> - Also please let me know if I omitted any companies from this
>> list -- if I did, it was unintentional.
>> >>>>>
>> >>>>>
>> >>>>> Kind regards,
>> >>>>>
>> >>>>> [REDACTED]
>> >>>>>
>> >>>>> --
>> >>>>> Return Preparer 1
>> >>>>> **Law Firm 1**
>> >>>>> [REDACTED]
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>> >>>>>
>> >>>>> <Hawaii rental property income Jan-Dec 2014 - updated with
>> mortgage interest and property tax.xls>
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