The Oldest Idea Whose Time Has Come (Again).
"You think the odds look right, that they are in your favor?
This is a billiard table. An easy, flat, green billiard table. And you have hit your white ball and it is traveling easily and quietly towards the red. The pocket is alongside. Fatally, inevitably you are going to hit the red and the red is going into that pocket. It is the law of the billiard table, the law of the billiard room. But, outside the orbit of these things, a jet pilot has fainted and his plane is diving straight at that billiard room, or a gas main is about to explode, or lightning is about to strike. And the building collapses on top of you and on top of the billiard table. Then what has happened to that white ball that could not miss the red ball, and to the red ball that could not miss the pocket? The white ball could not miss according to the laws of the billiard table. But the laws of the billiard table are not the only laws in this particular game."

From Russia With Love, Ian Fleming
Western Investors Keep Playing Financial Game that Has Worked Since WWII

New laws now apply but few realize it
Why did the system collapse in 2008 but not during previous crises?

- A large and levered pool assets was priced by a model with uniform assumptions;
- Key institutions had unprecedented levels of gross leverage but focused on net leverage.
- Then assumptions changed and “gross” became “net”:
  - New assumptions triggered across-the-board re-pricing;
  - All key institutions faced massive margin calls;
  - Liquidity evaporated; hedging counterparties could not perform;
  - Financial system collapsed requiring massive overnight bailouts.
- In every broker-dealer bankruptcy, customers’ assets were lost and/or sequestered - Lehman, MF Global, Refco.

(Leverage + Model Dependence + Concentration) => Illiquidity => Counterparty Failure
Is the financial system more sound today than it was in 2007?

- Leverage – global debts are up 40% since 2007;
- Opacity - at over $700 T, the derivatives’ complex is larger than ever;
- Model Dependence – all financial assets rely on the all-time low discount rates;
- Concentration – TBTFs are larger then ever;
- Liquidity – there are fewer market makers and less prop capital (Dodd Frank).

The risks may be higher but consensus “feels” better – a classic set up for a perfect storm.
Concentration Risk – the TBTFs are Bigger Than Ever.

In 20 years, 37 major liquidity providers have become 4 TBTFs.
Old “Laws”:

Structural:
- Free market prices; safe custody and bank deposits; corporate books fairly represent financial condition;
- Hard currency.

Property rights:
- Private property cannot be taken without due process;
- Legitimate capital can flow freely across borders.

Geopolitics:
- Cold war has been won – peace dividend;
- Mono-polar world with the US calling the shots.

Rules of the game are key assumptions in all investment strategies and valuations.
New “Law”:

**Structural:**
- Price controls, custodial risks, TBTFs, derivatives’ complex, opaque accounting, hidden leverage.

**Property rights:**
- Financial assets are being taken without due process:
  - US – GM and Chrysler bankruptcies; Cyprus depositors expropriated overnight; private pension assets taken by the Polish government.
- Capital and currency controls:
  - FATCA: mapping global assets of US citizens; Swiss banks freeze US accounts until holders prove tax compliance (no due process).
  - Argentina, Venezuela, Ukraine, Iceland, Cyprus – capital and currency controls.

**Geopolitics:**
- US – “weaponizes” payment networks against Russian entities; uses US$ clearing to gain jurisdiction over foreign banks.
- Russia – cyber attacks US banks; joins with BRICS to challenge US$ as reserve currency.
- Persistent wars; US hegemony under pressure on multiple fronts.

New realities require new model assumptions – systemic risks are no longer trivial.
Current Market Consensus:

Debacles Happen Elsewhere;
Financial System is Sound.
The US Financial System Has Collapsed Twice in 80 years.

No bailouts

Full bailouts
The Dollar Has Been Devalued Twice in 37 years.

US has defaulted in the past - de facto, if not de jure. Gold nationalization and closing of the gold window led to two dollar devaluations.
“Won’t Happen Here”
is Not a Plan B

Conventional Wisdom Never Sees it Coming
Extreme complacency tends to precede extreme volatility.

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2014</td>
<td>Yields and stress index are at all-time lows: the calm before the STORM.</td>
</tr>
</tbody>
</table>
Gold vs SP500 vs Long-dated Treasuries

- 01/07-03/08 Gold up ~50% and peaks on Bear Stearns bailout. Consensus: “The Fed saved the day.”
- 03/08-10/08 Gold down ~30%. Consensus: “Systemic risk is off the table”.
- 10/08-08/11 Gold up ~160% and peaks as debt ceiling disappears. Consensus: Fed has it all “under control.”
- 08/11-09/14 Gold declines ~30%. Consensus: “Systemic risk is off the table”.

Market’s ability to discount catastrophic risks is poor. Demand for insurance and its cost soar AFTER the storm, not before.
Implementing a Thesis

If the Problem is About the Money
Solution is About Something Else
Which Brings Us to Bitcoin
Bitcoin is Symptomatic of Disaffection with the Current Financial System

<table>
<thead>
<tr>
<th>Differences vs Financial Assets</th>
<th>Bitcoin &amp; Crypto-currencies</th>
<th>Gold Bullion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strictly Limited Supply</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>No One's Liability</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Decentralized Structure, Custody</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Independence from Banks</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Accounting Transparency</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Individual Privacy</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Key attributes of Bitcoin mirror those of gold but Cybercurrencies are not yet ready for prime time
<table>
<thead>
<tr>
<th>Cryptocurrency vs Gold</th>
<th>Cryptocurrency</th>
<th>Gold Bullion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form of Existence</td>
<td>Digital Only</td>
<td>Physical + Digital</td>
</tr>
<tr>
<td>Universally Established Brand</td>
<td>Not Yet</td>
<td>Yes</td>
</tr>
<tr>
<td>Invulnerable to Hacking, Elec. Supply</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Volatility vs US$</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Deep Universal Liquidity</td>
<td>Not Yet</td>
<td>Yes</td>
</tr>
<tr>
<td>Difficult/Impossible to Fake</td>
<td>Difficult</td>
<td>Impossible</td>
</tr>
<tr>
<td>Digital Wallet</td>
<td>Yes</td>
<td>Possible</td>
</tr>
<tr>
<td>Distributed Ledger</td>
<td>Yes</td>
<td>Possible</td>
</tr>
</tbody>
</table>

James Grant: “Gold is Nature’s Bitcoin”
Which Brings Us (Back) to Gold
## Gold vs Financial Instruments During Systemic Crises

<table>
<thead>
<tr>
<th>Key Technical Attributes</th>
<th>Financial Instruments</th>
<th>Physical Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity</td>
<td>Uncertain</td>
<td>Abundant and universal</td>
</tr>
<tr>
<td>Optionality, i.e. flexibility</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Correlation</td>
<td>Unpredictable</td>
<td>Inverse correlation to confidence</td>
</tr>
<tr>
<td>Asymmetry</td>
<td>Unpredictable</td>
<td>Yes</td>
</tr>
<tr>
<td>Volatility</td>
<td>Problematic</td>
<td>No permanent impairment</td>
</tr>
<tr>
<td>Time Value Decay</td>
<td>Problematic</td>
<td>Never worthless</td>
</tr>
<tr>
<td>Counterparty Risk</td>
<td>High</td>
<td>None</td>
</tr>
<tr>
<td>Performance Drivers</td>
<td>Nominal Prices; correlations</td>
<td>Loss of confidence for any reason</td>
</tr>
</tbody>
</table>

Technical attributes of physical gold make it uniquely effective as systemic insurance; Insurance is an asymmetric bet on an outcome considered unlikely.
Big Opportunities Are Born out of Disagreements

Gold is Inversely Correlated to Confidence in Financial System
Utility and Value Depend on Whether Financial Assets are Sound

East and West Disagree
Western Financial Investors’ Perspective:

“(Gold) gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head.”

Warren Buffett

Absence of utility is the key ASSUMPTION in the Western Investors’ model for valuing gold.
In the West gold is a speculation: investors buy on the way up and sell on the way down.
Alan Greenspan’s Perspectives:

**ORIGINAL THESIS:**

“The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves.

This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights.”

Alan Greenspan, 1966

**EXPERIMENT GONE AWRY:**

"The U.S. can pay any debt it has because we can always print money to do that.”

Alan Greenspan, 2011
FINAL CONCLUSION:

“…gold has special properties that no other currency, with the possible exception of silver, can claim. For more than two millennia, gold has had virtually unquestioned acceptance as payment. It has never required the credit guarantee of a third party. No questions are raised when gold or direct claims to gold are offered in payment of an obligation; it was the only form of payment, for example, that exporters to Germany would accept as World War II was drawing to a close. Today, the acceptance of fiat money -- currency not backed by an asset of intrinsic value -- rests on the credit guarantee of sovereign nations endowed with effective taxing power, a guarantee that in crisis conditions has not always matched the universal acceptability of gold.

If the dollar or any other fiat currency were universally acceptable at all times, central banks would see no need to hold any gold. The fact that they do indicates that such currencies are not a universal substitute. Of the 30 advanced countries that report to the International Monetary Fund, only four hold no gold as part of their reserve balances. Indeed, at market prices, the gold held by the central banks of developed economies was worth $762 billion as of December 31, 2013, comprising 10.3 percent of their overall reserve balances. (The IMF held an additional $117 billion.) If, in the words of the British economist John Maynard Keynes, gold were a “barbarous relic,” central banks around the world would not have so much of an asset whose rate of return, including storage costs, is negative.”

Alan Greenspan, Foreign Affairs, September 2014

Western governments are not selling their gold; Western financial investors are.
Eastern Perspective:

“Gold is the world's only monetary asset that has no counter-party risk, and is the only cross-nation, cross-language, cross-ethnicity, cross-religion and cross-culture globally recognized monetary asset.”

“Currently, there are more and more people recognizing that the ‘gold is useless’ story contains too many lies. Gold now suffers from a ‘smokescreen’ designed by the US, which stores 74% of global official gold reserves, to put down other currencies and maintain the US Dollar hegemony. Going to the source, the rise of the US dollar and British pound, and later the euro currency … was supported by their huge gold reserves.

…we should encourage individual investment demand for gold. Practice shows that gold possession by citizens is an effective supplement to national reserves and is very important to national financial security.”

Song Xin, General Manager of the China National Gold Corp., Party Secretary and President of the China Gold Association

China and Russia continue to aggressively accumulate the bullion being sold by the Western investors.
China and Russia see gold as essential to financial continuity.
China: Give us your hungry, your poor gold bars…
Gold-Based Finance: the Oldest Idea Whose Time has Come (Again).

- - -

Significant Upside without Counterparty Risk; Liquid Buying Power; Independent Transfer System.
Gold’s proven intrinsic value – the only unimpeachable fiduciary asset.

- Gold is universally liquid and can be used as payment without conversion into fiat currencies.
- Gold is not tied to any country, financial system or counterparty - it is no one’s liability.
- Gold bullion is the most widely recognized and universally accepted valuable in the world.
- The only tangible, liquid non-financial asset that is practical to own outside the financial system.
- Bullion is liquid at transparent prices across the world’s financial centres, without exception.

Universal liquidity and independence from financial assets, currencies and financial systems make gold an ideal basis for setting up backup financial arrangements.
Gold Bullion – Cheap Asymmetric Option without Counterparty Risks

- No margin calls, no counterparty risks, no expiration. Bullion has never been worthless.
- Derivatives track specific nominal prices; gold tracks confidence and purchasing power.
- Annual costs are attractive versus negative real rates or shorting risks.
- Gold has soared during deflation (1930s), inflation (1970s) and systemic instability (2000s).
- Price is levered to systemic concerns – when demand soars, supply dries up.
- Bullion is heavily under-owned in the West; the East is aggressively accumulating.
- Overwhelmingly bearish sentiment creates asymmetry at current levels.

Gold bullion has potential to deliver compelling upside without risk of a permanent loss of capital.
Liquidity – liquid purchasing power, i.e. negotiability without “haircuts”.

- Financial Instruments:
  - Lesson of 2008 – all financial markets are liquid… until they are not.

- Gold Bullion:
  - Universal liquidity under any market conditions.

Gold bullion is more liquid than stocks; liquidity is global and prices are available 22/5.
Gold Bullion is uniquely feasible as a liquid but tangible store of value.

<table>
<thead>
<tr>
<th>1 Liter Bottle Filled With:</th>
<th>Weight Lbs.</th>
<th>Current Value $ US</th>
<th>Volume/Value Gold = 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>42.56</td>
<td>847,906.90</td>
<td>1</td>
</tr>
<tr>
<td>Silver</td>
<td>23.15</td>
<td>7,146.62</td>
<td>119X</td>
</tr>
<tr>
<td>Copper</td>
<td>19.76</td>
<td>59.58</td>
<td>14,230X</td>
</tr>
<tr>
<td>Zinc</td>
<td>15.74</td>
<td>14.38</td>
<td>58,964X</td>
</tr>
<tr>
<td>Sugar</td>
<td>3.51</td>
<td>1.03</td>
<td>820,423X</td>
</tr>
<tr>
<td>Gasoline</td>
<td>1.63</td>
<td>0.68</td>
<td>1,243,767X</td>
</tr>
<tr>
<td>Texas Crude</td>
<td>1.92</td>
<td>0.53</td>
<td>1,608,653X</td>
</tr>
</tbody>
</table>

Note: Diamonds, art and real estate are not uniform and, therefore, cannot have transparent pricing required for universal liquidity.

Prices as of 3-13-2014
Tocqueville Bullion Reserve

Global Solution for Non-Financial Banking and Transfers

Redundancy that Ensures Financial Continuity
TBR Highlights:

- **What it is:**
  - A global vehicle for owning gold without exposure to financial intermediaries and securities markets.

- **What it does:**
  - Offers liquid, fully-reserved, non-financial accounts de-correlated from financial system;
  - Enables exchange of value between clients without reliance on conventional payment systems;
  - Ensures security, compliance, transparency, daily liquidity and universal deliverability of the bullion;
  - Provides a choice of non-financial vaults in Hong Kong, Singapore, Switzerland and the U.S.

- **Who is behind it:**
  - TBR co-founders: John Hathaway, Robert Kleinschmidt, Simon Mikhailovich.
  - 5 of the 10 largest gold mining companies are TBR’s lead clients:
    - Agnico Eagle, Goldcorp, Gold Fields, Royal Gold, Yamana.

TBR uses a non-financial instrument to offer liquid fully-reserved accounts and value transfer capabilities that do not rely on banks or securities markets.
TBR vs ETF = Simplicity vs Complexity

The ETF Model
Exchange-traded indirect claims against an allocated gold bank account.

The TBR Model
Directly redeemable “warehouse receipts” fully backed by gold held in insured non-bank vaults.
## TBR Balance Sheet – Liquidity, Transparency, Simplicity

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Image of gold bars]</td>
<td>Operating Expenses (Administration, Storage, Audits)</td>
</tr>
<tr>
<td></td>
<td>Management Fees</td>
</tr>
<tr>
<td></td>
<td><strong>Partners’ Capital</strong></td>
</tr>
</tbody>
</table>
Clients leverage TBR’s global B2B relationships and wholesale pricing.
Tocqueville Bullion Reserve
REAL ASSETS. REAL OWNERSHIP.

TBR Has Assembled a Global Team of Premier Service Providers

- **Cash Custody**: JPMorgan
- **Secure Gold Custody**: Loomis, MAT International, The Singapore Freeport
- **Administration, Accounting, Reporting**: MUFG
- **Legal**: Brown Rudnick
- **Financial Audit**: Grant Thornton
- **Full Value Insurance**: Lloyd's
- **Inventory Audit**: Inspectorate
Parting Thoughts
The West may prove right or the East may prove right.

Those without gold reserves cannot afford for the East to be right.

Gold offers the cheapest option on either outcome:

Heads - you win, tails - you don’t lose.
TERA Management LLC

41 West 57th Street, 7th Floor
New York, NY 10019

Contact:

Simon A. Mikhailovich
sm@bullionreserve.com
Telephone: (212) 792-2172

This presentation was prepared by TERA Management LLC and is for information purposes only. Neither the information nor any opinion contained in this presentation or any appendices constitutes a solicitation or offer by TERA Management LLC or any affiliates to buy or sell any securities or other financial instruments or provide any investment advice or service. An offer or solicitation to buy or sell securities will only be made to eligible investors by means of an offering memorandum and related subscription materials. The information contained herein is qualified in its entirety, please refer to the offering materials for specific and complete terms and conditions.

TERA Management LLC does not undertake to advise of changes in its opinions or information contained in this presentation. Any data included in this presentation is obtained from sources believed to be reliable but cannot be, and is not guaranteed by TERA Management LLC. Any opinions or projections expressed herein are those of the TERA Management LLC and cannot and should not be relied upon as representations of fact or investment advice. Past returns cannot be relied upon as a predictor of future performance.

No material from this presentation may be used, reproduced or otherwise disseminated in any form to any person or entity without the explicit prior written consent of TERA Management LLC.