

bitcoinR™

## The Quantitatively-Flexible Electronic Reserve Currency

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### **United States of America**

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## Table of Contents

<b>THE QUANTITATIVELY-FLEXIBLE ELECTRONIC RESERVE CURRENCY</b>	<b>0</b>
<b>DISCLAIMER</b>	<b>1</b>
<b>PROLOGUE</b>	<b>2</b>
<b>INTRODUCTION</b>	<b>4</b>
<b>MISSION &amp; VALUES</b>	<b>5</b>
<b>BITCOINR: A QUANTITATIVELY-FLEXIBLE RESERVE CURRENCY</b>	<b>5</b>
A RESERVE CURRENCY	8
INNOVATION & EFFICIENCY	10
ECONOMIC FREEDOM	10
EQUALITY OF OPPORTUNITY	11
DECENTRALIZATION	11
<b>PRACTICAL APPLICATION</b>	<b>12</b>
<b>TYPE OF BLOCKCHAIN</b>	<b>13</b>
<b>CRYPTO ECONOMICS</b>	<b>13</b>
<b>ECONOMIC INCENTIVES</b>	<b>14</b>
TYPE OF CURRENCY UNIT	14
UNITS OF MEASURE FOR XBR	15
UTILITY	15
XBR INFLATION & MONEY SUPPLY	16
REWARDS & PENALTIES	16
<b>GOVERNING ENTITY STRUCTURE</b>	<b>17</b>
COMMUNITY ACTIVITY	17
<b>TECHNOLOGY</b>	<b>17</b>
SOURCE CODE	18
BITCOINR CLIENT	18
TRANSACTIONS, FEES & ADDRESSES	18
SECURITY	18
ROADMAP & DELIVERABLES	19
FUTURE DEVELOPMENT FUNDING	20
<b>MARKET SUPPLY</b>	<b>20</b>
LIQUIDITY	21
GLOBAL MARKET CAPITALIZATION	22
ASSET VELOCITY	22
CIRCULATION	22
GLOBAL EXCHANGE	22
TOTAL NUMBER & GEOGRAPHIC DISTRIBUTION OF EXCHANGES	22
EXCHANGE VOLUME DISTRIBUTION	23
FIAT & CRYPTO PAIRS	23

<b>MARKET DEMAND</b>	<b>23</b>
EXTERNAL STAKEHOLDERS	25
CHANGE IN MARKET CAPITALIZATION	26
<b>SALE OF XBR VIRTUAL CURRENCY UNITS</b>	<b>27</b>
SELECT RISK FACTORS	27
SECURITY MEASURES	29
TEAM OWNERSHIP	29
QE 501C3 TRANSPARENCY	30
<b>LEGAL &amp; COMPLIANCE</b>	<b>31</b>
<b>REGULATION</b>	<b>31</b>
U.S. SECURITIES AND EXCHANGE COMMISSION	32
U.S. DEPARTMENT OF THE TREASURY	34
USER REGULATION	38
<b>ETHICS</b>	<b>38</b>
<b>EPILOGUE</b>	<b>39</b>
<b>APPENDIX A: WHITEPAPER VERSION CONTROL</b>	<b>40</b>
<b>APPENDIX B: PROPERTIES OF THE XBR VIRTUAL CURRENCY UNIT</b>	<b>42</b>

## **Disclaimer**

Neither XBR, LLC (the Company) the bitcoinR network, the XBR virtual currency unit or any person, agent or entity affiliated with the Company has been "endorsed by" or acts as a representative or agent of the United States Government, or any other government.

The Company has set forth certain information in this whitepaper that consists of "forward-looking information", including "future oriented financial information" and "financial outlook" (collectively referred to herein as forward-looking statements). Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this whitepaper are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

XBR virtual currency units have no dividend or potential future dividend, therefore they are not a security and will not be offered for sale as a security by XBR, LLC. XBR virtual currency units may only be obtained via Proof-of-Work (PoW) mining or via a Virtual Currency Exchange (VCE). XBR, LLC will not offer its LLC membership units for sale to investors regardless of accreditation.

Nothing in this whitepaper shall be construed as legal, financial or tax advice.

## Prologue

Financial panics and crises are apt to occur every few years usually in the form of recessions. It is helpful to remember that over 100 years ago, in 1907, the U.S. Congress appointed a National Monetary Commission to consider an economic solution to respond to crises. As a result, Congress eventually adopted legislation embodying results of the study made by the Commission and The Federal Reserve Act became law on December 23, 1913.

We can see parallels to economic cycles of 2008-2010 and the collective response by governments and central banks. On March 27<sup>th</sup>, 2020, President of the United States Donald Trump signed the \$2 trillion corona virus economic stimulus bill which was designed to relieve certain economic pressures caused by the spread of COVID-19. By comparison, the 2008 Troubled Asset Relief Program in the United States was a mere \$700 billion. The obvious question is: where will this money come from? Quite simply, the Federal Reserve will “create it” from thin air, thereby increasing the global monetary supply of the United States Dollar which causes inflation and may help set parameters in place for hyperinflation. Intelligent central banking is essential to the economic stability and progress of the modern economy; however, when its power is used to issue \$2 trillion in currency in a short window, we must consider the second and third order consequences.

Satoshi Nakamoto saw the beginnings of this trend and began to battle the idea of infinite money supply by planning in 2007 an electronic currency with a limited money supply that was later released in 2009, however, Satoshi did not consider the concentration of Bitcoin (BTC) held by those who accumulated the currency early, and who may later, through coordinated effort, attempt to manipulate the price of BTC to achieve additional benefit. Without a central-banking function attached to BTC, there is no way to attempt to stabilize the price of BTC within a certain window of price tolerance, which makes it less valuable as a store-of-value than it would be if there were a modicum of control to ensure some stability.

bitcoinR is based largely upon Satoshi’s original design of the decentralized Bitcoin blockchain. We paired this improved technology with a centralized economic governance model designed specifically to allow central-bank-like quantitative easing and quantitative

tightening within set tolerances. This quantitative flexibility should equate to a more stable money supply, one that is less likely to be manipulated by an unseen hand.

We have chosen to restart with a new Genesis block to ensure equal ability for all to accumulate the new virtual currency unit XBR.

XBR's network is called "bitcoinR", in choosing this name we give credit to Satoshi for their original design, with the newly appended "R" to signify the currency's "Reserve"-like feature of quantitative flexibility.

## **Introduction**

In a new market, it takes time for standards to emerge and the authors of this document are unaware of a whitepaper standard for blockchain related projects, however, what has become evident is Coinbase's lead as the favored North American trading platform for cryptocurrencies,<sup>1</sup> and its indisputably excellent reputation of ongoing operations as well as global asset proliferation. Founded in 2012 by Brian Armstrong and Fred Ehrsam,<sup>2</sup> Coinbase has grown to more than 10 million customers and has taken the lead in the private sector for defining listing parameters with the publishing date of Version 1.0 of the Global Digital Asset eXchange (GDAX) Digital Asset Framework.<sup>3</sup> In review and study of this framework, the authors of the bitcoinR whitepaper found it an excellent guide for the relevant information a cryptocurrency whitepaper should cover. We have based the content of this whitepaper on our interpretation of the content that Coinbase/GDAX uses to evaluate new cryptocurrencies for listing on their platform. Our references to the construct of the GDAX Digital Asset Framework are done without any immediate or eventual expectation of a GDAX listing and is not meant to signify or indicate approval from or endorsement by Coinbase in any manner whatsoever.

We thank Courtney Chin and her team at Coinbase along with the external contributors who published the GDAX Digital Asset Framework<sup>4</sup> as a clear and concise reference document for the crypto community, the excellence of which we hope this document echoes.

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<sup>1</sup> Cheng, Evelyn. "Bitcoin Exchange Coinbase Has More Users than Stock Brokerage Schwab." *CNBC*. CNBC, 27 Nov. 2017. Web. 04 May 2018.

<sup>2</sup> "Brian Armstrong - Founder & Chief Executive Officer @ Coinbase." *Crunchbase*. N.p., n.d. Web. 04 May 2018.

<sup>3</sup> White, Adam. "Announcing the GDAX Digital Asset Framework - The GDAX Blog." *The GDAX Blog*. The GDAX Blog, 02 Nov. 2017. Web. 04 May 2018.

<sup>4</sup> Chin, Courtney, et al. "GDAX Digital Asset Framework." (2017): 1-4. 2 Nov. 2017. Web. 4 May 2018.

*bitcoinR is intended to augment Bitcoin Core as the quantitatively-flexible reserve currency of record for the cryptocurrency ecosystem.*

### **Mission & Values**

Satoshi's open financial system was originally intended to be available to everyone and not controlled by a single entity.<sup>5</sup> This premise is a worthy one, born of an optimistic view of the human condition, however, in the thirteen years since Satoshi initially planned what would come to be known as Bitcoin Core, we have seen the unfortunate but familiar human tendency to protect and concentrate power.

A thorough study of world history shows that power will naturally consolidate as the construct from which it is born matures; what is problematic is when such power grows without a formidable third-party regulatory structure. Without this check on power, the focus of those in the new power construct becomes the concentration and protection of influence, not the increase of societal benefit. For a groundbreaking power construct to persist, an intelligent middle ground must be reached between stakeholders and regulators in order to create a landscape fertile for mutual progress in the long run.

### bitcoinR: a quantitatively-flexible reserve currency

As of September 12, 2017, only 4.11% of the total Bitcoin addresses owned more than 96.5% of all Bitcoin Core cryptocurrency (BTC) in existence, with 1% of the addresses controlling more than 50% of the market.<sup>6</sup> These statistics hold an eerie similarity to those of an entrenched world power that has held sway over the global economy for 50 years: the Organization of the Petroleum Exporting Countries (OPEC). Of the 206 sovereign nations and states worldwide, only 14 are members of this organization,<sup>7</sup> which equates to around 6.8% of the total. OPEC's 2016 annual report indicates that their member countries hold, in the aggregate, 81.5% of Earth's proven oil reserves<sup>8</sup> and account for 44% of global oil production summing a projected \$595 billion in 2018 revenue for OPEC.<sup>9</sup> The primary

<sup>5</sup> Nakamoto, Satoshi. "Bitcoin: A Peer-to-Peer Electronic Cash System." (2009): 1-9. Web. 29 Apr. 2018.

<sup>6</sup> "This Chart Reveals the Centralization of Bitcoin Wealth." *HowMuch*. N.p., 12 Sept. 2017. Web. 30 Apr. 2018.

<sup>7</sup> "Member Countries." *OPEC : Member Countries*. N.p., n.d. Web. 30 Apr. 2018.

<sup>8</sup> "OPEC Share of World Crude Oil Reserves." *OPEC : OPEC Share of World Crude Oil Reserves*. N.p., n.d. Web. 30 Apr. 2018.

<sup>9</sup> "OPEC Net Oil Export Revenues." *U.S. Energy Information Administration (EIA)*. N.p., n.d. Web. 30 Apr. 2018.

difference between the two being, OPEC members are known quantities, and the owners of early BTC wallet addresses are largely anonymous.<sup>10</sup>

That the vast majority of BTC appears to be controlled by an anonymous oligarchy as opposed to a single financial or governmental institution such as a regulated corporation, sovereign treasury or a central bank is more than an academically important delineation. Functionally, the structure of power seems irrelevant to a governing group so long as it is effective in their primary economic objective: *increasing the value of its holdings via coordinated decision making and execution*. In the OPEC example, the price per barrel of crude oil at the inception of OPEC in 1960 was \$1.63 United States Dollar (USD),<sup>11</sup> increasing to \$64.70 USD per barrel in 2018,<sup>12</sup> an impressive increase of over 3,962%. By comparison, US Dollar inflation over a similar period shows an increase of 741% where \$1 USD in 1960 would equal \$8.41 in 2017.<sup>13</sup> Applying the same math to the price of BTC, we find a mind-boggling appreciation from the founding of The Bitcoin Foundation in September of 2012 when BTC was valued at \$10.88 USD to \$9,358.69 USD as of April 30, 2018,<sup>14</sup> an increase of 85,917.4%. By comparison, US Dollar inflation over a similar period shows an increase of a mere 10% where \$1 USD in 2012 would equal \$1.10 in 2017. In 2020, it is still too early to understand or project what impact the \$2 trillion U.S. Corona virus stimulus will have on USD inflation.

Such a high concentration of BTC in anonymous hands risks potential collusion and covert manipulation of the currency price as it relates to the US Dollar peg. Additionally, the widening of the Bitcoin network via the proliferation of anonymous nodes may be problematic for regulators. Members of this oligopoly have every economic tool necessary to ratchet the price of BTC up or down to serve the needs of the small, powerful group of "bitcoin whales". The volatility inherent in such a high, anonymous concentration of BTC may preclude BTC from serving as a stable global reserve currency in the long run.

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<sup>10</sup> Kharif, Olga. "The Bitcoin Whales: 1,000 People Who Own 40 Percent of the Market." *Bloomberg.com*, Bloomberg, 8 Dec. 2017.

<sup>11</sup> "OPEC Crude Oil Price Statistics Annually 1960-2018 | Statista." *Statista*. N.p., n.d. Web. 02 May 2018.

<sup>12</sup> *ibid*.

<sup>13</sup> Freidman, Morgan. *The Inflation Calculator*. N.p., 1997. Web. 03 May 2018.

<sup>14</sup> "Cryptocurrency Market Capitalizations." *CoinMarketCap*. N.p., n.d. Web. 30 April 2018.

It should be noted, that the decentralization and anonymity that the referenced oligopoly relies upon were features designed and highly prized by Satoshi in the initial design of Bitcoin, though, arguably, Satoshi did not likely foresee the exploitation of these features via the aggregation of large amounts of BTC for the purpose of price manipulation. In Satoshi's utopian and libertarian view, BTC was to be used as the trustless, fundamental basis of transacting-money-for-value.<sup>15</sup> The economic basis for a transactional use case is shattered when the price of the underlying instrument is manipulated in a manner that cannot be tracked, forecasted or intelligently communicated.

We have kept Satoshi's decentralized consensus construct and have added the one aspect that Satoshi did not plan for: quantitative easing and quantitative tightening based upon a target exchange rate to the United States Dollar. Essentially, bitcoinR is Bitcoin but with a reserve of currency that can be used for planned, quantitative transparent price stabilization.

Thus, bitcoinR is still decentralized, but with a centralized Open-Market-Operation function that will occur quarterly based upon the relative price of the XBR currency unit to the United States Dollar in the target amount of \$1,000 USD:1 XBR.

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<sup>15</sup> Nakamoto, Satoshi. "Bitcoin: A Peer-to-Peer Electronic Cash System." (2009): 1, Abstract. Web. 29 Apr. 2018.

### A Reserve Currency

The bitcoinR currency (XBR) seeks to fulfill the Bank of International Settlements' (BIS) three fundamental and complimentary roles of money:

1. A Unit of Account - a measurement that eases comparison of prices across the products or services we buy, as well as the value of promises we make.<sup>16</sup>
2. A Medium of Exchange - a seller accepts it as a means of payment, in expectation that somebody else will do the same.<sup>17</sup>
3. A Store of Value - enabling users to transfer purchasing power over time.<sup>18</sup>

In this endeavor, the bitcoinR currency is not unique; the Bitcoin currency also sought to fulfill such monetary roles and does so reasonably well except for the third role, that of a Store of Value (SoV). In December 2017, BTC opened the month at \$9,947.08 USD per unit and surged to an intra-month record of \$19,870.62 USD per unit, finally closing the month and year at \$13,850.40 USD per unit. As of April 2020, BTC has been valued between \$3,925.27 and \$9,214.81 USD per unit for the ~30 day period between 27-FEB-20 and 27-MAR-2020.<sup>19</sup> These data snapshots show that in the SoV role, BTC fails due to the dramatic and constant fluctuation in price over a full decade after its genesis block had been mined.

Given the constant rate of BTC generation and the fixed supply, the price fluctuation of BTC seems primarily attributable to two specific parameters:

1. The price of BTC cannot be artificially stabilized by a recognized, centralized entity due to the fact that the Bitcoin network was implemented specifically as a decentralized technology, governed in a decentralized format by a group of mysterious initial governors, whose collective identity as "Satoshi" has still not been disambiguated as of today. Given these parameters, any central bank style, open market operation to stabilize the BTC currency unit can only be brought about via

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<sup>16</sup> "BIS Annual Economic Report 2018" p.92

<sup>17</sup> "BIS Annual Economic Report 2018" p.92

<sup>18</sup> "BIS Annual Economic Report 2018" p.92

<sup>19</sup> "Bitcoin Price Index - Real-Time Bitcoin Price Charts." CoinDesk, 9 July 2019, [www.coindesk.com/price/bitcoin](http://www.coindesk.com/price/bitcoin).

the non-permissible collusion of large existing holders in an attempt to manipulate the market price of BTC to an agreed level which could harm smaller holders.

2. The BTC virtual currency proliferated entirely in a decentralized format to date. As such, there is no significant reserve of BTC currency that has been publicly allocated to be either issued or destroyed via any central, open market operations, even if a centralized, legal governing entity did exist for the BTC currency and network.

It is with the two aforementioned limitations in mind that Digital Goals, Inc. was nominated as a centralized governing entity with operational ownership control of 10% (2,100,000) and XBR, LLC. has directional economic control of 40% (8,400,000) of the bitcoinR virtual currency unit XBR. 8,400,000 XBR virtual currency units under the company's directional economic control shall be escrowed for use in transparent, scheduled open-market operations (XBR OMO) in an effort to achieve a reliably stable XBR unit price.

In order to achieve a transparent equilibrium with stakeholders and a thriving market for the exchange of goods and services, 50% of the XBR virtual currency (10,500,000 XBR) shall be allocated for earning within the bitcoinR Proof of Work (PoW) consensus model by nodes set up to process transactions via the mining of blocks.

The bitcoinR hybrid model of centralization of governance and technological decentralization defines the Five Core Tenets of the bitcoinR network:

1. Transparent Decentralized Consensus
2. Transparent Centralized Macroeconomic Governance
3. Transaction Scalability
4. Stabilized Value
5. Ease of Use

These tenets align the bitcoinR network and the associated bitcoinR virtual currency unit with the agreed goals outlined separately (not in conjunction with bitcoinR) by the Bank of International Settlements for an independent central bank, offering clear monetary policy and financial stability objectives; operational, instrument and administrative independence

and democratic accountability, so as to ensure broad-based political support and legitimacy.<sup>20</sup>

Further, the centralization of governance in XBR, LLC may assist governmental authorities in the ensuring of both an integrous market and market participants via anti-money-laundering (AML) and know-your-customer (KYC) checks which may, in the long-run, help combat the financing of terrorism (CFT), illicit drug trade and human trafficking while preserving long-run adoption for the bitcoinR virtual currency unit XBR.

### *Innovation & Efficiency*

bitcoinR was created via a fork of Satoshi Nakamoto's Bitcoin Core combined with revised econometrics and tools for economic oversight similar to what a central bank might use to govern a sovereign currency.

Specifically, the bitcoinR technical team had initially chosen Evan Duffield's X11 algorithm<sup>21</sup> as an alternate to Satoshi's original SHA-256-based design with its original unused mainnet release in March of 2018.<sup>22</sup> However, through additional market research we chose to revert to that standard to allow the BTC mining community to utilize their existing, depreciated and often obsolete BTC mining equipment to mine XBR. We have also reset the difficulty adjustment algorithm to ensure a frequent and dynamic difficulty-retargeting calculation consistent with hash power detected on a per-three-block-basis, or approximately every 15 minutes. bitcoinR's focus on three-block-granularity for difficulty retargeting contrasts Satoshi's original design which only retargeted Bitcoin Core's difficulty via a calculation applied every 2,016 blocks (approximately every 14 days).

### *Economic Freedom*

The bitcoinR virtual currency unit (XBR) will serve as a reserve-currency with a fixed supply and transparent valuation. XBR is intended to eventually hold a target fiat currency

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<sup>20</sup> "BIS Annual Economic Report 2018" p. 93

<sup>21</sup> Duffield, Evan. "X11 Hash Algorithm." *Docs.dash.org*. Dash Core Group, Inc., n.d. Web. 03 May 2018.

<sup>22</sup> Nakamoto, Satoshi. "Bitcoin: A Peer-to-Peer Electronic Cash System." (2009): 3. Web. 29 Apr. 2018.

peg of \$1,000 USD:1 XBR. The market price, if sufficiently different than the peg (+/- >15%) shall be adjusted on a periodic basis via XBR Open Market Operations (XBR OMO) to provide an underlying economic stability that engenders consumer confidence necessary to encourage human work to be exchanged for a monetary instrument.

In the accomplishing of this lofty goal, XBR holders may be reasonably assured that the value of XBR will not be artificially manipulated by unseen forces with an undisclosed, potentially contrary agenda and zero regulatory oversight.

XBR OMO are planned on a quarterly basis beginning 1-JUL-2020.

### Equality of Opportunity

The introduction of the bitcoinR network and its associated virtual currency unit XBR must be done in a controlled and gradual manner to ensure potential participants' equal opportunity to reap economic reward via the earning, mining, or purchasing of XBR.

The parameters surrounding the initial distribution of the bitcoinR mining client will be publicly announced in Q2 2020.

At launch, the SHA-256 difficulty retargeting algorithm will be set to <1 versus a 2020 Bitcoin hashing algorithm difficulty level of 13,912,524,048,945.<sup>23</sup> According to our internal tests, it is anticipated that individuals and entities with commercial-off-the-shelf (COTS) Windows and MacOS systems may have enough hash power to mine blocks of XBR at the time of the official launch.

### Decentralization

Arguably, the governing of cryptocurrencies by Decentralized Autonomous Organizations (DAOs) may have been intended to avoid regulation of a centralized governing entity by sovereign governments. As an unintended consequence of governance decentralization, de facto regulation emerges as the wishes of the majority holders of cryptocurrencies impose their collective will upon the developers and the codebase. Further, price manipulation may

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<sup>23</sup> "Bitcoin Difficulty and Hashrate Chart." *BTC.com*. N.p., n.d. Web. 03 April 2020.

occur which proves problematic for institutional asset holders seeking stability from the Store of Value (SoV) currency function. Uncertainty from small-holders who seek to exchange currency units for real world value may also be plagued by potential manipulation by decentralized, anonymous holders of large denominations.

Thus, while decentralized technical consensus is good, it seems that decentralized governance and economics have proven difficult.

### Practical Application

As an accelerating trend, the market seems to have recognized the misplaced trust in the cryptocurrency model of decentralized consensus paired with decentralized governance and holder anonymity.<sup>24</sup> This complete decentralization of both technology and governance has led to accusations of widespread price manipulation for BTC<sup>25</sup> as well as abject fraud with the advent and proliferation of altcoin Initial Coin Offering (ICO) exit-scams.<sup>26</sup> Further, the anonymity offered to miners and purchasers of most cryptocurrencies preserves optionality of conducting illegal activity such as illicit drug trade and human trafficking.<sup>27</sup>

The Bank of International Settlements (BIS) encapsulated the aforementioned problem set with decentralized governance best, stating, "Operationally, the main complicating factor is that permissionless cryptocurrencies do not fit easily into existing frameworks. In

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<sup>24</sup> Wasik, John. "Are Bitcoin, Crypto Markets Rigged?" *Forbes*, Forbes Magazine, 6 July 2018, [www.forbes.com/sites/johnwasik/2018/07/06/are-bitcoin-crypto-markets-rigged/](http://www.forbes.com/sites/johnwasik/2018/07/06/are-bitcoin-crypto-markets-rigged/).

<sup>25</sup> Browne, Ryan. "US Justice Department Reportedly Opens Criminal Investigation into Bitcoin Price Manipulation." *CNBC*, CNBC, 24 May 2018, [www.cnbc.com/2018/05/24/us-opens-criminal-probe-into-bitcoin-price-manipulation-bloomberg.html](http://www.cnbc.com/2018/05/24/us-opens-criminal-probe-into-bitcoin-price-manipulation-bloomberg.html).

<sup>26</sup> Biggs, John. "Exit Scammers Run off with \$660 Million in ICO Earnings." *TechCrunch*, TechCrunch, 13 Apr. 2018, [techcrunch.com/2018/04/13/exit-scammers-run-off-with-660-million-in-ico-earnings/](http://techcrunch.com/2018/04/13/exit-scammers-run-off-with-660-million-in-ico-earnings/).

<sup>27</sup> Milliken, Kaitlin. "Lawmakers Worry Virtual currency Helping Human Traffickers Avoid Detection." *TheHill*, The Hill, 31 Jan. 2018, [thehill.com/policy/technology/371573-lawmakers-worry-digital-currency-helping-human-traffickers-avoid-detection](http://thehill.com/policy/technology/371573-lawmakers-worry-digital-currency-helping-human-traffickers-avoid-detection).

particular, they lack a legal entity or person that can be brought into the regulatory perimeter."<sup>28</sup>

Thus, it seems that standard regulatory entities require a hybrid cryptocurrency model where governance and network-wide macroeconomic decision-making is centralized, and technologically redundant recordkeeping is decentralized via a distributed ledger.

The bitcoinR network has been created to fulfill the need presented by the dual criteria.

### Type of Blockchain

bitcoinR is an open-permissionless blockchain project. At the time of this writing, blockchain instantiations generally fall into one of two categories regarding permissions:

- **Open-Permissionless:** In this type of Blockchain, anyone can join without the permission of the governing administrator by downloading the mining client and installing/activating the client on a compatible computer to begin processing transactions as a node.
- **Private-Permissioned:** In this type of Blockchain, the governing administrator of the cryptocurrency mining client must invite persons or entities to participate in the mining operations as nodes to begin processing transactions.

### **Crypto Economics**

Like Bitcoin Core before it, the operation of the bitcoinR network relies upon certain economic incentives and penalties. The consensus protocols for the bitcoinR network illustrate the risk that certain network participants may take to mine XBR virtual currency units through the building of consensus in exchange for any possible economic value presented by the possession of XBR. Without this carefully calibrated set of incentives for miners of XBR, the persistence of the bitcoinR blockchain would be substantially weakened and subject to increased threat of attack.

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<sup>28</sup> "BIS Annual Economic Report 2018" p. 107

## Economic Incentives

Proof of Work (PoW): On 21-MAR-2018, the bitcoinR network mined its first blocks via the Proof of Work X11 hashing algorithm. On 27-MAR-2020 the X11 chain was deprecated and the SHA-256 chain was instantiated. The bitcoinR PoW consensus algorithm where miners commit work in the form of specialized hashing calculation hardware (CPU, GPU et al.) combined with the electricity necessary to run the specialized calculation hardware. The combination of specialized mining hardware and electricity paired with the bitcoinR mining client will create new blocks within the bitcoinR blockchain that stores a ledger of past transactions in an immutable format.

The conversion to SHA-256 has allowed for non-specialized hardware to mine XBR. We have successfully mined XBR blocks using a MacBook Pro with 3.1GHz Intel Core i7 and a 3.6 Ghz Intel Core i7, both very pedestrian processors in 2020. We do not expect processors of this speed to successfully mine blocks far into the future.

The bitcoinR network is designed to produce a block every ~300 seconds. This block creation time is 50% shorter than the time necessary to generate a block on the Bitcoin Core network which presently produces a block every ~600 seconds.<sup>29</sup>

The XBR currency cryptonomics were re-designed in March 2020 as a response to the widespread unemployment caused by COVID-19.<sup>30</sup> Satoshi's final Bitcoin (BTC) will not be mined until the year 2140, and it took six-and-a-half years from Bitcoin's launch in 2009 to reach 75% End BTC Limit (3-JAN-2009 to 29-JUL-2015). 75% of bitcoinR (XBR) will be mined in ~12 months from official release in April 2020, with 99.61% XBR mined within the first 36 months.

### Type of Currency Unit

XBR, the currency unit of the bitcoinR network is a coin, as it has its own blockchain instantiation, and is not reliant upon a 3rd party network or blockchain for operation. A

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<sup>29</sup> Nakamoto, Satoshi. "Bitcoin: A Peer-to-Peer Electronic Cash System." (2009): 4. Web. 29 Jun. 2018.

<sup>30</sup> Cox, Jeff. "Coronavirus Job Losses Could Total 47 Million, Unemployment Rate May Hit 32%, Fed Estimates." CNBC, CNBC, 31 Mar. 2020, [www.cnbc.com/2020/03/30/coronavirus-job-losses-could-total-47-million-unemployment-rate-of-32percent-fed-says.html](http://www.cnbc.com/2020/03/30/coronavirus-job-losses-could-total-47-million-unemployment-rate-of-32percent-fed-says.html).

token is generally considered to be reliant upon a 3rd party network or blockchain for operation. XBR is not a token.

### Units of Measure for XBR

bitcoinR is a fork of Bitcoin Core with a new genesis block. Consistent with Satoshi's original vision, bitcoinR has a total supply of 21,000,000 currency units (XBR). This amount is capped and will not be changed.

Also consistent with Satoshi's original vision, each bitcoinR virtual currency unit (XBR) is divisible to the 8th decimal place, so each BTC can be split into 100,000,000 units. A *satoshi*<sup>31</sup> is the smallest unit of both Bitcoin Core and bitcoinR equaling 0.00000001 BTC or XBR.

### Utility

XBR is a quantitatively flexible reserve currency. This utility assists in establishing a derivative, stable economic basis to encourage the exchange of value via goods, services or effort in exchange for the virtual currency unit (XBR).

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<sup>31</sup> "Units." Hash - Bitcoin Wiki, [en.bitcoin.it/wiki/Units](https://en.bitcoin.it/wiki/Units).

### XBR Inflation & Money Supply

Consistent with Satoshi's original vision, bitcoinR has a total codified supply hard cap of 21,000,000 XBR virtual currency units. However, it is probable that the total XBR virtual currency units mined via PoW will likely equate to a lesser number as it becomes less economically feasible to mine a block in exchange for the block reward in later Reward Eras.

The allocation of the bitcoinR XBR money supply follows:

Amount	Percentage of Supply Hard Cap	Purpose
10,500,000	50%	Community PoW Mining
8,400,000	40%	XBR Open Market Operations
2,100,000	10%	Digital Goals, Inc.

### Rewards & Penalties

In Q2 2020, during Reward Era 0, the initial block reward for Proof of Work (PoW) mining is 100 XBR. At present, the reward for maintaining consensus on the bitcoinR network via mining a block is 100 XBR virtual currency units. This "block reward" will be halved once 52,500 blocks have been mined, and again after the next 52,500. See Figure 1.

Block	Reward Era	XBR / Block	Start XBR	XBR Added	End XBR	XBR Increase	End XBR Limit
0	0	100	10500000	5250000	15750000	25%	75.00%
52500	1	50	15750000	2625000	18375000	16.67%	87.50%
105000	2	25	18375000	1312500	19687500	7.14%	93.75%
157500	3	12.5	19687500	656250	20343750	3.33%	96.88%
210000	4	6.25	20343750	328125	20671875	1.61%	98.44%
262500	5	3.125	20671875	164062.5	20835937.5	0.79%	99.22%
315000	6	1.5625	20835937.5	82031.25	20917968.75	0.39%	99.61%

32

<sup>32</sup> Figure 1. XBR Mining Projection Document v5

## **Governance**

### Governing Entity Structure

XBR, LLC is the administrator of the bitcoinR network and the XBR virtual currency. On August 14, 2018, XBR, LLC filed with the U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) as a registered Money Services Business (MSB) in the Money Transmitter (MT) subcategory. XBR, LLC will not sell XBR virtual currency units directly, and thereby relies on third-party virtual currency exchanges and their associated MSB/MT designations.

XBR, LLC has transferred to Digital Goals, Inc. a total of 2,100,000 as compensation for the initial and continued management and development of the underlying technology for the bitcoinR network. XBR, LLC uses a combination of internal resources and external contractors to maintain bitcoinR.

As of Q1 2021, XBR, LLC is 100% privately held.

### *Community Activity*

bitcoinR will be reliant upon the enthusiastic participation of its community, as such, the bitcoinR team has created official channels by which individuals or entities may interact with our team and one another:

- **Website:** All major official updates will be announced via <http://www.bitcoinr.org/> and the social channels linked therein.
- **Social Media: Twitter handle @Bitcoinrxbr**

## **Technology**

XBR, LLC and the bitcoinR development team are committed to complete transparency in all matters associated with corporate governance as well as technical parameters associated with the bitcoinR network and the XBR virtual currency.

### Source Code

bitcoinR is largely based upon the concepts and code for Bitcoin Core created by Satoshi Nakamoto, with some important changes. Bitcoin Core was and is an open-source project and the source code was made available under the open MIT license, to be downloaded and utilized for any purpose. The source-code for the bitcoinR client shall be made available to virtual currency exchanges where bitcoinR is listed for audit and examination.

There shall be no charge for the bitcoinR mining client.

### bitcoinR Client

The bitcoinR Windows, MacOS and Linux clients are intended to be the primary tools used for mining the bitcoinR currency XBR.

XBR, LLC and Digital Goals, Inc. cannot and will not represent that any system configuration will be sufficient to mine the XBR virtual currency unit due to what is projected to be rapidly changing requirements based upon the three-block difficulty recalculation inherent in the bitcoinR code.

The bitcoinR mainnet was originally brought online 21-MAR-2018 and significantly revamped 27-MAR-2020, thus, the bitcoinR client is production-ready as of the date of this writing.

### Transactions, Fees & Addresses

This section is reserved for future documentation of the growth in the number of registered wallet addresses, associated transactions, and any fees resultant from said transactions over the course of time.

### Security

The bitcoinR project began with security as one of the original focal points. Progress toward acceptable security parameters for the bitcoinR network and the XBR virtual currency unit can be observed in the following actions to date:

## Roadmap & Deliverables

- 2018
  - Development of the X11 release of the bitcoinR network
  
- 2019
  - General improvement and fixes to bitcoinR network
  - Network security design
  
- 2020
  - Redevelopment of the bitcoinR network using SHA-256
  - Development of Windows Wallet & Miner
  - Development of MacOS Wallet & Miner
  - Development of Linux Wallet & Miner
  - Release of mining clients to general public
  - Begin XBR Open Market Operations (XBR OMO)
  
- 2021 & Beyond
  - General improvement and fixes to bitcoinR network
  - Quarterly XBR Open Market Operations

### Future Development Funding

100,000 units of XBR virtual currency have been allocated by Digital Goals, Inc. for the bitcoinR bug-bounty program. Bounty awards made in XBR virtual currency units on behalf of the bitcoinR network may be subject to taxation in the United States of America and may require the filing of Form W-9 with the Internal Revenue Service.

Payment or receipt of any bounty does not constitute an employment relationship with XBR, LLC, Digital Goals, Inc. or any affiliate(s) or agent(s).

### Market Supply

XBR, LLC reserves the right to either burn/destroy or donate for sale a pre-determined and publicly announced amount of XBR virtual currency units for the purpose of stabilizing value in a manner consistent with projected desired value of the XBR virtual currency unit. This action is similar to Quantitative Easing (QE) and Quantitative Tightening (QT) activities conducted by central banks.

- These operations shall be referred to as XBR Open Market Operations or XBR OMO.
- The total number of XBR escrowed for XBR OMO is 8,400,000 XBR, or 40% of the codified supply hard cap of 21,000,000 XBR virtual currency units.
- XBR OMO shall not initialize until Q3 2020 and there will be no Q1 2021 burn event.
- The initial XBR OMO decision shall be announced 1-JUL-2020.
- XBR OMO decisions will be taken on the first calendar day of each quarter, for a minimum of 16 successive quarters.
- The maximum number of XBR virtual currency units per quarterly OMO decision that can be released from escrow shall be limited to a range of 0 to 500,000 XBR.
- We anticipate assigning a derivative value in USD based upon a 90-day moving average of XBR as determined by the top three virtual currency exchanges (by volume) that are making a market in the XBR virtual currency unit. In the event that XBR is trading at less than the desired \$1,000 USD peg, XBR, LLC will burn/destroy XBR units up to a total of 500,000 XBR per quarter. In the event that XBR is trading at higher than the desired \$1,000 USD peg, XBR, LLC will donate XBR units up to a

total of 500,000 XBR per quarter. This target of \$1,000 USD will be updated annually to reflect inflation of the US Dollar.

- XBR will be listed on public exchanges starting in Q1 2021, which will establish a baseline price and holder population. Thereafter, growth goals will be set by XBR, LLC to define target prices achieved in the following quarter. The quarterly OMO decision will be taken to offset missed goals as required.

bitcoinR seeks to solve the near centuries-old battle between the Banking and the Currency School. The 90-day moving average of XBR shall reflect its endogenous economic quality, where the aforementioned quarterly open-market-operations shall reflect its exogenous economic quality.

### Liquidity

This section is reserved for future documentation of the circulating supply of XBR and various measurements regarding turnover and availability.

### Global Market Capitalization

This section is reserved for future documentation of the fluctuation in the value of circulated XBR at such time that a reliable price has been established by the natural equilibrium of XBR supply and stakeholder demand subsequent to initial offerings of units, but prior to the initiation of the XBR OMO.

### Asset Velocity

This section is reserved for future documentation of the timed turnover of the circulating supply of XBR at such time that a reliable price has been established by the natural equilibrium of XBR supply and customer demand on at least three (3) unaffiliated cryptocurrency exchanges, but prior to the initiation of the XBR OMO.

### Circulation

This section is reserved for future documentation of the circulating supply of XBR and is expected to be updated after each successful step in the bitcoinR roadmap.

### Global Exchange

Should XBR virtual currency units become traded on any number of global Virtual Currency Exchanges (VCEs), we will record the names and contact information of the VCEs in future versions of the bitcoinR whitepaper.

This list will be provided for informational purposes only. XBR, LLC does not endorse, recommend, or make any representations with respect to the gateways and VCEs that may appear in future versions of this whitepaper.

### Total Number & Geographic Distribution of Exchanges

This section is reserved for future documentation of upon which Virtual Currency Exchanges (VCE's) where XBR virtual currency units are to be traded and their geographic distribution.

### Exchange Volume Distribution

This section is reserved for future documentation. Should XBR virtual currency units become traded on any number of global Virtual Currency Exchanges (VCEs), we will record the relative volume of XBR virtual currency units traded by each exchange to the aggregate global trade volume of XBR virtual currency units as recorded over a certain, specified time period in future versions of this whitepaper.

### Fiat & Crypto Pairs

This section is reserved for future documentation of upon which Fiat and Crypto pairs may exist to provide differing, but relatively consistent indications of value for XBR virtual currency units to be documented in future versions of this whitepaper.

### **Market Demand**

The regulated cryptocurrency market is in its infancy in 2018; though, the interest of institutional investors in the space has spawned accelerated growth. The regulated entities in the sector are but a few and generally fall into the following categories and list of participants:

- Cryptocurrency Administrators: *regulated by the U.S. Department of Treasury's FinCEN division*
  - TETHER Limited: Tether / USDT (Market Cap: \$2.499 billion<sup>33</sup>)
  - XBR, LLC: bitcoinR / XBR (Market Cap: TBD)
  - XRP II, LLC: Ripple / XRP (Market Cap: \$18.2 billion<sup>34</sup>)
- Cryptocurrency Exchange Traded Funds (ETFs): *regulated by the U.S. Securities and Exchange Commission*

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<sup>33</sup> "Tether (USDT) Price, Charts, Market Cap, and Other Metrics." *CoinMarketCap*, 25 July 2018, [coinmarketcap.com/currencies/tether/](https://coinmarketcap.com/currencies/tether/).

<sup>34</sup> "XRP (XRP) Price, Charts, Market Cap, and Other Metrics." *CoinMarketCap*, 25 July 2018, [coinmarketcap.com/currencies/ripple/](https://coinmarketcap.com/currencies/ripple/).

- Cryptocurrency Futures Contracts (Futures): *regulated by the U.S. Commodity Futures Trading Commission*
- Cryptocurrency Exchanges: *regulated by the U.S. Commodity Futures Trading Commission*

As of 1-MAY-2018, there were 141 funds launched since 2017<sup>35</sup> with many billions of dollars under management.<sup>36</sup> Prior to the late March 2018 initial release of x11 bitcoinR by XBR, LLC , Ripple Labs and TETHER Limited appear to have been the only two regulated, centralized entities that could be held accountable for some level of performance in accordance with an institutional investor's investing charter. This may have changed as of Q2 2020 when bitcoinR was re-released as a SHA-256 coin to allow people quarantined by COVID-19 to mine the coin using existing consumer-grade computer hardware.

Like these two regulated participants, bitcoinR was designed from both a technical and economic standpoint to provide a regulated Bitcoin fork product for consideration in the centralized governance cryptocurrency asset class.

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<sup>35</sup> Walk, Value. "Massive Growth of Crypto Funds Continues in 2018." *ETF Trends*, ETF Trends, 30 Apr. 2018, [www.etftrends.com/portfolio-construction-channel/massive-growth-of-crypto-funds-continues-in-2018/](http://www.etftrends.com/portfolio-construction-channel/massive-growth-of-crypto-funds-continues-in-2018/).

<sup>36</sup> Keidan, Maiya. "Cryptocurrency Hedge Funds Top 100 for First Time." *Reuters*, Thomson Reuters, 19 Oct. 2017, [www.reuters.com/article/us-hedgefunds-bitcoin/cryptocurrency-hedge-funds-top-100-for-first-time-idUSKBN1CN2H6](http://www.reuters.com/article/us-hedgefunds-bitcoin/cryptocurrency-hedge-funds-top-100-for-first-time-idUSKBN1CN2H6).

### External Stakeholders

This section is reserved for future documentation of the venture firms and / or other entities that may choose to acquire a significant stake in XBR virtual currency units. XBR, LLC will only include the names of those entities that do not object to having their name(s) published in the bitcoinR whitepaper. This section may also list any significant partnerships and / or joint ventures.

### Change in Market Capitalization

bitcoinR is intended to augment Bitcoin Core as the reserve currency of record for the cryptocurrency ecosystem. Price stability of the XBR virtual currency unit is necessary to ensure the basis of economic transactions where human work product is exchanged for XBR.

The market capitalization of the aggregate XBR in the bitcoinR network is intended to stabilize at \$21 billion USD, or \$1,000 USD : 1 XBR. Beginning from the date 1-JUL-2020, should the 90-day moving average of the XBR virtual currency unit decrease or increase by more than 15% from the fiat target of \$1,000 USD : 1 XBR during the preceding calendar quarter, cryptonomic money supply operations dubbed XBR Open Market Operations (XBR OMO) will be enacted by XBR, LLC.

XBR OMO is intended to be conducted for a minimum of sixteen (16) successive calendar quarters, beginning on 1-JUL-2020 and ending upon whichever such date in the future that the supply of 8,400,000 XBR has been exhausted from the XBR OMO escrowed supply.

Should the 90-day moving average of the XBR virtual currency unit *increase* by more than 15% beyond the fiat target of \$1,000 USD : 1 XBR, XBR, LLC. will withdraw XBR from the XBR OMO escrow supply wallet and "released for sale" in a quantity between 0 and 500,000 units. 100% of the proceeds from any sales will be split evenly and donated to St. Judes Children's Research Hospital and Ronald McDonald House Charities. This operation shall be dubbed Quantitative Easing or QE.

Should the 90-day moving average of the XBR virtual currency unit *decrease* by more than 15% beyond the fiat target of \$1,000USD : 1 XBR, XBR, LLC. will withdraw XBR from the XBR OMO escrow supply wallet and "burn" in a quantity between 0 and 500,000 units. This operation shall be dubbed Quantitative Tightening or QT.

In either the QE or QT operation, the number of XBR released from the XBR OMO escrow account shall be decided through an economic equation designed to encourage the market to adjust the value of the XBR virtual currency unit to target par but is not to exceed 500,000 XBR virtual currency units in any calendar quarter.

The \$850 USD - \$1,150 USD trading range where neither QE or QT is enacted should represent sufficient long and short trading opportunities for traders who will purchase XBR virtual currency units from miners via virtual currency exchanges with the speculative intent of selling or buying to achieve profit.

### **Sale of XBR Virtual Currency Units**

The bitcoinR team is committed to adhering to and advancing regulation in the cryptocurrency space in order to encourage further participation by individuals, institutions, and governments alike.

The 2,100,000 XBR virtual currency units awarded to Digital Goals, Inc. should be counted as assets of the corporation on its balance sheet. The 8,400,000 XBR virtual currency units held in escrow by Digital Goals, Inc. for the purposes of open market operations (OMO) shall not be counted as assets of the corporation on its balance sheet.

XBR virtual currency units are not a class of Digital Goals, Inc. or XBR, LLC stock/membership units. The virtual currency unit XBR is not a security and therefore it cannot be purchased or sold by Digital Goals, Inc. except through a virtual currency exchange.

### **Select Risk Factors**

Any investment of the limited resources of time, effort, or money brings with it a number of risks related to events, regulation, performance, and other unforeseen anomalies.

- There is no assurance that XBR virtual currency units will have any monetary value.
- The tax treatment of the XBR virtual currency units is uncertain at this time.
- United States and international law are broadly unclear regarding the various treatment of centralized and decentralized cryptocurrency units and any law(s) are subject to changes in construct and/or categorization.

- Transactions on the bitcoinR network are immutable and losses due to fraud or error may not be recovered.
- Technological issues including, but not limited to, those caused by software, hardware, communications infrastructure, or human intervention may cause the bitcoinR network to cease functioning which could prevent users from accessing their XBR virtual currency units.
- Only certain individuals and entities may be able to acquire XBR virtual currency units.
- XBR virtual currency units are not "legal tender", are not backed by the United States or any other government, and accounts holding XBR virtual currency units are not subject to Federal Deposit Insurance Corporation or any other insurance.
- XBR virtual currency units may be subject to a limited user base and may not achieve widespread adoption in the United States or internationally.
- Some markets or governments may oppose continued development or distribution of cryptocurrencies or blockchains. This could have an adverse material effect on the evolution of the bitcoinR network and the adoption of XBR virtual currency units.
- Prices of XBR virtual currency units are expected to be volatile and attempts to stabilize the price of XBR virtual currency units may not be as effective as projected or may fail entirely.
- Neither the bitcoinR network, the XBR virtual currency unit or any person, agent or entity affiliated with the Company have been "endorsed by" or acts as a representative or agent of the United States, or any other government.

### Security Measures

As the economic incentives to participate in bitcoinR mining and trading increase, the probability of hacks of both a technical and social nature are expected to increase correspondingly.

Historically, the combination of technical and social hacks seem to have yielded lucrative results for Initial Coin Offering (ICO) hackers, specifically in the CoinDash, Enigma and Veritaseum hacks of 2017.<sup>37</sup> In each of these hacks, a technical channel was compromised and users were subsequently exploited via social channels resulting in multi-million dollar losses.

CoinDash was targeted via a vulnerability in WordPress, whereby the address where coin buyers were directed to send funds was changed to that of a hacking group. An email account of an Enigma executive was compromised via a sophisticated phishing attack, which gave password access to platforms. Veritaseum was compromised through a 3rd party supplier, and coins were stolen and resold at a discount to market.<sup>38</sup>

Note that there will be no Initial Coin Offering for bitcoinR and XBR may only be obtained via mining or purchase via a virtual currency exchange.

Throughout the course of the mining period, XBR, LLC. may elect to use commercially-reasonable efforts to block or reverse nefarious attempts to compromise the bitcoinR blockchain at its sole discretion.

### Team Ownership

Individual XBR, LLC. Advisory Board Members and Members of the Board of Directors are compensated up to a total of 10,000 XBR which is earned over a 4-year term with a 30-day termination/notice period. The revised Advisory Board agreement with the initial

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<sup>37</sup> Russell, Jon. "Hackers Nab \$500,000 as Enigma Is Compromised Weeks before Its ICO." *TechCrunch*, TechCrunch, 21 Aug. 2017, [techcrunch.com/2017/08/21/hack-enigma-500000-ico/](https://techcrunch.com/2017/08/21/hack-enigma-500000-ico/).

<sup>38</sup> *Ibid.*

members was signed in Q3 2018. These XBR units will be deducted from XBR's 2,100,000 pre-mined operations allocation.

QE 501c3 Transparency

100% of the proceeds of any XBR sold by XBR, LLC. as the result of the open-market-operation dubbed quantitative easing (QE) shall be donated to a 501c3 charity.

Any units sold shall be announced and the donation shall be publicized via press release. The entirety of the XBR Charitable Allocation will be earmarked to support the following efforts:

- **Ronald McDonald House Charities**

Established in 1984, the mission of Ronald McDonald House Charities (RMHC) is to create, find and support programs that directly improve the health and well being of children. RMHC makes an immediate, positive impact on children's lives through our global network of Chapters in 52 countries and regions and through our three core programs: Ronald McDonald House, Ronald McDonald Family Room and Ronald McDonald Care Mobile. We award grants to other nonprofit organizations that align with our mission to positively impact the health and well-being of children. We are also committed to education. Local Chapters award thousands of scholarships each year through RMHC U.S. Scholarships to students entering college across the United States.

- **St. Jude Children's Research Hospital**

ALSAC (American Lebanese Syrian Associated Charities) was founded in 1957 and exists for the sole purpose of raising funds to support the operating and maintenance of St. Jude Children's Research Hospital. The mission of St. Jude Children's Research Hospital is to find cures for children with cancer and other catastrophic diseases through research and treatment. It is supported primarily by donations raised by ALSAC. Research efforts are directed at understanding the molecular, genetic and chemical bases of catastrophic diseases in children; identifying cures for such diseases; and promoting their prevention. Research is focused specifically on cancers, some acquired and inherited immunodeficiencies, sickle cell disease, infectious diseases and genetic disorders.

XBR, LLC. reserves the right to delete or replace charities on this list if an existing charity falls below a 90% overall score and rating by Charity Navigator. No charity shall be selected for donation without a minimum 90% overall score and rating by Charity Navigator.

### **Legal & Compliance**

Authorities must give measured attention to the balance of regulation and innovation to ensure the United States continues to be the global leader of trusted financial services.

Digital Goals, Inc. and XBR, LLC are dedicated to pro-active review and compliance with known existing and contemplated United States laws and regulations thought to be applicable to digital currencies.

### Regulation

Governments should create parameters for entities who seek to create, distribute and govern digital currencies. These parameters should be specific, defined and based upon the risk factors associated with virtual currency. Compliance with such parameters by digital-currency-governing entities may increase safety and consumer confidence.

It is important that the rules and laws created by regulators be based upon a continuum that recognizes the economic resources of a digital-currency-governing entity to ensure innovation and operations are not stifled by an overwhelming cost and burden of compliance. We believe that such a continuum should likely be based upon average dollar-pegged-volume of virtual currency transactions that are processed by the virtual currency network over the course of a substantial period of time.

The bitcoinR team will strive to assist in the creation of an effective regulatory framework to provide necessary protections without stifling innovation.

Regulations with clear boundaries are the key to safety, and by extension, the ultimate recognition and adoption by global consumers of XBR as a virtual currency of choice to store value.

U.S. Securities and Exchange Commission

As of the time of this writing, it is unclear whether or not the United States Securities and Exchange Commission will categorically regard virtual currency units as securities. Some progress was made regarding the definition of decentralized currencies such as Bitcoin and Ethereum as non-securities, according to a speech given by the head of the SEC's Division of Corporation Finance at the Yahoo All Markets Summit in San Francisco in JUN-2018;<sup>39</sup> though, it was made clear that these comments were made in a personal capacity and not in an official capacity on behalf of the SEC.

Results of our internal analysis and the opinion of our external compliance consultant, is that, at present, it appears as though the SEC intends to focus on the *transaction* used to convey a virtual currency unit from one entity to another using the standard set by a 1946 case which reached the United States Supreme Court, *SEC v. W.J. Howey Co.*<sup>40</sup> The results of this case are now referred to colloquially as "the Howey Test" which seeks to establish the standing of a transaction as an "investment contract" by the examination of multiple elements:

1. Was there an investment of money?
2. Was there an expectation of profit?
3. Was the investment made in a common enterprise?
4. Was the investment made with the expectation of profits to be made predominantly from the efforts of others?

To examine the underlying transaction to determine whether the instrument is a security or not is an intelligent measure of what may otherwise be inconclusive due to a refutable,

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<sup>39</sup> Hinman, William. "Digital Asset Transactions: When Howey Met Gary (Plastic)." SEC.gov, 14 June 2018, [www.sec.gov/news/speech/speech-hinman-061418](http://www.sec.gov/news/speech/speech-hinman-061418).

<sup>40</sup> "SEC v. Howey Co., 328 U.S. 293 (1946)." *Justia Law*, [supreme.justia.com/cases/federal/us/328/293/](https://supreme.justia.com/cases/federal/us/328/293/).

subjective perspective. **As such, we have inferred that the virtual currency unit XBR is not a security due to the following:**

The virtual currency XBR shall be acquired as the intended result of one of these three scenarios:

- The XBR virtual currency block reward that is allocated to a user of the bitcoinR mining client for successfully finding a solution to the bitcoinR Proof-of-Work (PoW) hashing algorithm (SHA-256) for the purpose of validating a new bitcoinR block
- The XBR virtual currency transferred in exchange from one user to another for real-world value exchanged via goods and or services
- The XBR virtual currency purchased or sold on a Virtual Currency Exchange (VCE) (i.e. Coinbase, Bittrex, Kraken, Binance, etc.)

XBR will be bought and sold with the expectation of profit, however, the investment is not being made into a common enterprise and depending upon the method of initial XRP acquisition, the expectation of profits is often the result of individual mining effort which is by definition not an effort made by others.

Since the method of distribution for XBR virtual currency units exactly mirrors that of the bitcoin BTC virtual currency unit, we do not believe XBR to be a security and shall attest to such while applying for listing of XBR virtual currency units on virtual currency exchanges.

U.S. Department of the Treasury

The United States Government has issued guidance<sup>41</sup> that entities in the United States who administer digital currencies now require registration as Money Services Businesses (MSBs).

The Federal Financial Institutions Examination Council (FFIEC) is an interagency body that houses the combined agency Bank Secrecy Act (BSA) Anti-Money Laundering (AML) examination manual.

Virtual currency issuers and exchanges qualify as Money Transmitters (MTs), a subcategory (409) of Money Services Businesses (MSBs) under the BSA 31 U.S.C. § 5312(a)(2) and 31 C.F.R. §§ 1010.100(t), 1010.100(ff).<sup>42</sup>

In March 2013, the Financial Crimes Enforcement Network (FinCEN), a division of the United States Treasury, published FIN-2013-G001, *Guidance on the Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies*. In this guidance, FinCEN categorizes participants in the virtual currency ecosystem in the following groups:

- **Users:** A user who obtains convertible virtual currency and uses it to purchase real or virtual goods or services is not an MSB under FinCEN's regulations. Such activity, in and of itself, does not fit within the definition of "money transmission services" and therefore is not subject to FinCEN's registration, reporting, and recordkeeping regulations for MSBs.
- **Administrators & Exchangers:** An administrator or exchanger that (1) accepts and transmits a convertible virtual currency or (2) buys or sells convertible virtual currency for any reason is a money transmitter under FinCEN's regulations, unless a limitation to or exemption from the definition applies to the person.

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<sup>41</sup> "FIN-2013-G001 Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies" *FinCEN.gov*, 18 Mar. 2013, <https://www.fincen.gov/sites/default/files/shared/FIN-2013-G001.pdf>.

<sup>42</sup> *Ibid.*

FinCEN's regulations define the term "money transmitter" as an entity that provides money transmission services, or any other person engaged in the transfer of funds. The term "money transmission services" means "the acceptance of currency, funds, or other value that substitutes for currency from one person and the transmission of currency, funds, or other value that substitutes for currency to another location or person by any means."

The definition of a money transmitter does not differentiate between real currencies and convertible virtual currencies. Accepting and transmitting anything of value that substitutes for currency makes a person a money transmitter under the regulations implementing the BSA.

FinCEN has reviewed different activities involving virtual currency and has made determinations regarding the appropriate regulatory treatment of administrators and exchangers under three scenarios: brokers and dealers of e-currencies and e-precious metals; centralized convertible virtual currencies; and de-centralized convertible virtual currencies.<sup>43</sup>

For the purposes of classification and adherence to regulation, XBR, LLC has elected to register as a MT MSB with FinCEN, with the understanding that it intends to operate the bitcoinR client and associated economics thereof.

XBR, LLC does not intend to operate the bitcoinR network in the following manner consistent with the FinCEN definition of a Centralized Virtual Currency:

"The exchanger accepts currency or its equivalent from a user and privately credits the user with an appropriate portion of the exchanger's own convertible virtual currency held with the administrator of the repository."<sup>44</sup>

XBR, LLC will not accept currency to privately credit a user with XBR virtual currency units except for via a Virtual Currency Exchange (VCE).

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<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

XBR, LLC does intend to operate the bitcoinR network in the following manner consistent with the FinCEN definition of a De-Centralized Virtual Currency:

"A person that creates units of convertible virtual currency and sells those units to another person for real currency or its equivalent is engaged in transmission to another location and is a money transmitter."<sup>45</sup>

It is worth again noting the exception that XBR, LLC will not accept currency to privately credit a user with XBR virtual currency units except for via a Virtual Currency Exchange (VCE).

Records of all such transactions shall be kept and provided to the U.S. Treasury if so requested via unfettered access to the bitcoinR blockchain as well as records specific to the transfer to and from the VCE.

In order to comply with FinCEN registration requirements as an MSB, XBR, LLC has retained a vendor who is familiar with and specializes in MSB registration and compliance. Our vendor has instituted or assisted with the following:

1. FinCEN Registration of the MSB
2. Written Policies, Procedures, and Internal Controls constituting the basis of an MSB AML Compliance Program that addresses the applicable requirements of the BSA
3. A training presentation that may be used to provide the education and training required by the BSA (31 C.F.R. § § 1022.210(d)(3)) to meet our obligation to provide AML training to XBR, LLC team members
4. A Risk Assessment Template and Transaction Review Form. These documents are essential to our AML Compliance Program and will help to ensure that it meets our

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<sup>45</sup> Ibid.

obligations under the BSA.

5. An independent AML Review as required by the BSA (31 C.F.R. § 1022.210(d)(4)), in which an annual review is conducted of our policies, procedures and internal controls to ensure that they satisfy AML regulatory requirements and the provision of a report including findings and associated expert recommendation concerning the best way to address any deficiency.

As a result, it is our expectation that we may be required to file some or all of the following document types if and when deemed necessary by our Compliance Officer (CO):

- Report of Foreign Bank and Financial Accounts (Form TD F 90-22.1)
- Suspicious Activity Report (Form TD F 90-22.47) (SAR)
- Suspicious Activity Report by the Securities and Futures Industries (FinCEN Form 101)
- Currency Transaction Report (FinCEN Form 104) (CTR)
- Designation of Exempt Person (FinCEN Form 110)
- Suspicious Activity Report by Money Services Business (FinCEN Form 109, formerly 90-22.56)

Finally, to comply with the Office of Foreign Asset Control (OFAC) XBR, LLC will assist in the provision of any virtual wallet (VW) numbers suspected of belonging to persons or entities found when conducting an OFAC "Sanctions List Search" for any Specifically Designated Nationals or Blocked Persons who may attempt to purchase XBR virtual currency directly from XBR, LLC.

It is unlikely that we will have a record of every entity who chooses to mine XBR virtual currency units; however, their mining and transfers will still be recorded in the bitcoinR blockchain for later examination by regulators and law enforcement with whom XBR, LLC intends to cooperate in a commercially reasonable manner.

### User Regulation

At the time of this writing, miners in the United States who choose to participate in the XBR mining program using the bitcoinR client(s) do not appear to be required to register with FinCEN according to FinCEN Administrative Ruling FIN-2014-R007 so long as the mining is intended to yield XBR virtual currency units for personal use or to buy and sell as an investment.

This is not legal advice. Check with your attorney or compliance expert for a greater level of certainty.

### **Ethics**

The bitcoinR network is intended to reward law-abiding global citizens by providing access to the economic rewards associated with the bitcoinR network, and disallow use by criminal organizations who may use the network to generate funds for illicit behavior such as the financing of terrorism, the drug trade or other unsavory pursuits.

## **Epilogue**

We've sacrificed extensively, both personally and monetarily, to bring bitcoinR to life.

We've done so with the full knowledge that the furtherance of partial centralization within the cryptocurrency governance model might be viewed as heretical and could likely bring vehement detestation from a significant portion of the blockchain and crypto world. Many voices have rallied against Ripple Labs and XRP for similar reasons. Ripple Labs pre-mined their entire money supply. XBR, LLC only pre-mined 50%, of which 80% is intended to stabilize the currency over a minimum of 16 quarters. The other 20% is slated for technical and administrative operations via XBR, LLC.

Put another way:

***We only win if you win. We designed it this way. To win TOGETHER.***

Please understand the risk that the team has taken by making themselves publicly known and overtly accessible for contact through the bitcoinR.org website. Please don't be afraid to contact us, but in doing so, kindly be bright, brief and respectful and we'll make a real effort to get back to you within a few business days.

Finally, we hope that you can mine XBR using the inexpensive CPUs & GPUs<sup>46</sup> and "obsolete" ASIC miners you may already have sitting idle in your homes. We hope that in doing so, you are able to generate money for your family that may have been lost to the massive opportunity costs brought forth by COVID-19 while bringing forth a revision of Satoshi's brilliant concept of a peer-to-peer electronic currency that is both economically stable and enduring.

Respectfully,

The bitcoinR Team

April 5, 2020

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<sup>46</sup> CPU and GPU mining has become less practical as of May 19, 2020 and depending upon your configuration and hashpower compared with the aggregate hashpower of the network, your specific CPU or GPU configuration may not yield any blocks at all.

**Appendix A: Whitepaper Version Control**

Version Number	Date	Commentary:
2018.022	14-AUG-2018	Initial version of whitepaper for public consumption
2020.28	05-APR-2020	Revised Team Section Revised Econometrics Revised Technical Parameters Revised Reward Era Table Revised Roadmap and Deliverables Revised Page Numbers, Revised Table of Contents, General Wordsmithing Revised Prologue Revised Epilogue Removed EMP Removed OAP Removed KYM Removed Licensing Cost Added Appendix B
2020.29	20-MAY-2020	Added footnote 44 indicating CPU/GPU mining is unlikely to yield blocks as of 19-MAY-2020.  Corrected OMO pre-mine allocation percentage error (total allocated number of coins remain unchanged).  Added Team Compensation pre-mine allocation figures and percentage for full transparency (total allocated number of coins remain unchanged).
2021.01	10-Jan-2021	Anonymized document. Removed details of team.  Modified the “burn” criteria: <ul style="list-style-type: none"> <li>- Removed 1Q21 burn</li> <li>- Detailed annual price target updates</li> </ul>

		- Detailed growth goal approach
2021.01	21-Feb-2021	Edited Community Activity section, added Twitter handle  Edited Security section, removed bug bounty program  Grammatical editing of document

## **Appendix B: Properties of the XBR Virtual Currency Unit**

Property	Value	Comment
Algorithm	SHA-256	
Block Halving	52,500 blocks	Block Height Increment per Reward Era
Block Reward (Initial)	100 XBR	Number of coins earned when a new block is mined
Block Type	Proof of Work (PoW)	Type of consensus
Coin Name	XBR	
Coin Unit	Satoshi	
Coinbase Maturity	99 + 1 Default Confirmation blocks	Number of confirmations before mined XBR may be transferred
Initial Address Letter (Mainnet)	X	
Initial Address Letter (Testnet)	B	
Last Reward Block	1,785,000	Block 315,000 = 99.61% of XBR mined.
Network Name	bitcoinR	
Node 1	204.48.17.237	New York, New York USA
Node 2	167.172.122.211	San Francisco, California USA
P2P Port	17482	
RPC Port	17481	
Supply	21,000,000 XBR	100% of money supply
Supply (minable)	10,500,000 XBR	50% of money supply
Supply (OMO)*	7,000,000 XBR	66.7% of 10,500,000 XBR pre-mined total (~33.3% of money supply total) for Open Market Operations (OMO)
Supply (pre-mined)	10,500,000 XBR	50% of money supply.
Supply (operations)*	2,100,000 XBR	20% of 10,500,000 XBR pre-mined total (10% of money supply total)
Supply (team compensation)*	1,400,000 XBR	13% of 10,500,000 XBR pre-mined total (~6.67% of money supply total)
Target Spacing	5 minutes	Approximate time to mine a block
Target Timespan	15 minutes	Approximate time to change difficulty
Transaction Confirmations	12 blocks	1 hour transaction confirmation time
Website	<a href="https://www.bitcoinr.org/">https://www.bitcoinr.org/</a>	

\* accreted to 50% pre-mined supply of 10,500,000