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DIGITAL CURRENCY BUSINESS E-GOLD PLEADS GUILTY TO MONEY LAUNDERING AND ILLEGAL MONEY TRANSMITTING CHARGES

WASHINGTON – E-Gold, Ltd., (E-Gold) an Internet-based digital currency business, and its three principal directors and owners, pleaded guilty to criminal charges relating to money laundering and the operation of an illegal money transmitting business, Acting Assistant Attorney General Matthew Friedrich for the Criminal Division and U.S. Attorney for the District of Columbia Jeffrey A. Taylor announced today.

E-Gold and its corporate affiliate Gold & Silver Reserve Inc. each pleaded guilty to conspiracy to engage in money laundering and conspiracy to operate an unlicensed money transmitting business. The principal director of E-Gold and CEO of Gold & Silver Reserve Inc. (Gold & Silver Reserve), Dr. Douglas Jackson, 51, of Melbourne, Fla., pleaded guilty to conspiracy to engage in money laundering and operating an unlicensed money transmitting business. E-Gold's other two senior directors, Barry Downey, 48, of Baltimore, and Reid Jackson, 45, of Melbourne each pleaded guilty to felony violations of District of Columbia law relating to operating a money transmitting business without a license. E-Gold, Gold & Silver Reserve and the three company directors were charged in an indictment returned by a federal grand jury on April 24, 2007.

At sentencing, E-Gold and Gold & Silver Reserve face a maximum fine of $3.7 million. Douglas Jackson faces a maximum prison sentence of 20 years and a fine of $500,000 on the conspiracy to engage in money laundering charge, and a sentence of five years and a fine of $250,000 on the operation of an unlicensed money transmitting business charge. Downey and Reid Jackson each face a maximum of five years in prison and a fine of $25,000. Additionally, as part of the plea, E-Gold and Gold & Silver Reserve have agreed to forfeiture in the amount of $1.75 million in the form of a money judgment for which they are joint and severally liable. Sentencing for all defendants has been set for Nov. 20, 2008.

In addition to the fines and prison sentences, each of the defendants agreed that E-Gold and Gold & Silver Reserve will move to fully comply with all applicable federal and state laws relating to operating as a licensed money transmitting business and the prevention of money laundering which includes registering as money service businesses. Also as part of the plea agreement, the businesses will create a comprehensive money laundering detection program that will require verified customer identification, suspicious activity reporting and regular supervision by the Internal Revenue Services' (IRS) Bank Secrecy Act Division, to which the Financial

Crimes Enforcement Network delegated authority according to federal regulations. E-Gold and Gold & Silver Reserve will hire a consultant to ensure their compliance with applicable law and hire an auditor to verify the companies' claims that all transactions are fully backed by gold bullion.

Under federal law and District of Columbia law, in addition to other jurisdictions, the E-Gold operation was required to be licensed and registered as a money transmitting business. However, according to information in plea materials, the E-Gold operation functioned as a money transmitting business without registering with the federal government and without a license in the District of Columbia. Because these businesses and individuals illegally failed to register and follow applicable regulations under federal and District of Columbia laws, the resulting lack of oversight and required procedures created an atmosphere where criminals could use "e-gold", or digital currency, essentially anonymously to further their illegal activities.

Specifically, according to information contained in plea materials, the E-Gold operation provided digital currency services over the Internet through two sites: www.e-gold.com and www.Omnipay.com. Several characteristics of the E-Gold operation made it attractive to users engaged in criminal activity, such as not requiring users to provide their true identity, or any specific identity. The E-Gold operation continued to allow accounts to be opened without verification of user identity, despite knowing that "e-gold" was being used for criminal activity, including child exploitation, investment scams, credit card fraud and identity theft. In addition, E-Gold assigned employees with no prior relevant experience to monitor hundreds of thousands of accounts for criminal activity. They also participated in designing a system that expressly encouraged users whose criminal activity had been discovered to transfer their criminal proceeds among other "e-gold" accounts. Unlike other Internet payment systems, the E-Gold operation did not include any statement in its user agreement prohibiting the use of "e-gold" for criminal activity.

"By failing to comply with money laundering laws and regulations, the E-Gold operation created an environment ripe for exploitation by criminals seeking anonymity in conducting online transactions," said Acting Assistant Attorney General Matthew Friedrich. "This case demonstrates that online payment systems must operate according to the applicable rules and regulations created to ensure lawful monetary transactions."

"The operations of E-Gold, Ltd. and the other defendants undermined the laws designed to maintain the integrity of our financial system and created opportunities for criminal activity," said U.S. Attorney Taylor. "Because of the successful prosecution of these defendants, digital currency providers everywhere are now on notice that they must comply with federal banking laws or they will be subject to prosecution."

"The Secret Service is pleased with the successful outcome of the E-gold investigation," said U.S. Secret Service Assistant Director for Investigations Michael Stenger. "This case demonstrated that even the most sophisticated criminals cannot escape the combined resources of the Secret Service and our law enforcement partners. The Secret Service is committed to our mission of safeguarding the nation's critical financial infrastructure and we will continue to pursue criminals seeking to use the Internet and new technologies to commit crimes."

The case was investigated by the U.S. Secret Service, IRS Criminal Investigation and the FBI. The case was prosecuted by Assistant U.S. Attorney Jonathan Haray of the U.S. Attorney's Office for the District of Columbia, Senior Counsel Kimberly Kiefer Peretti of the Criminal Division's Computer Crime and Intellectual Property Section and Laurel Loomis Rimon, Deputy Chief of the Criminal Division's Asset Forfeiture and Money Laundering Section, with assistance from the Criminal Division's Child Exploitation and Obscenity Section. William Cowden of the U.S. Attorney's Office Asset Forfeiture Unit assisted with forfeiture issues involved in the case.

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