TeslaCoil Coin White Paper

COIN:TESLA

Version 1.0

Prepared by FIRST BITCOIN CAPITAL CORP.

© 2017

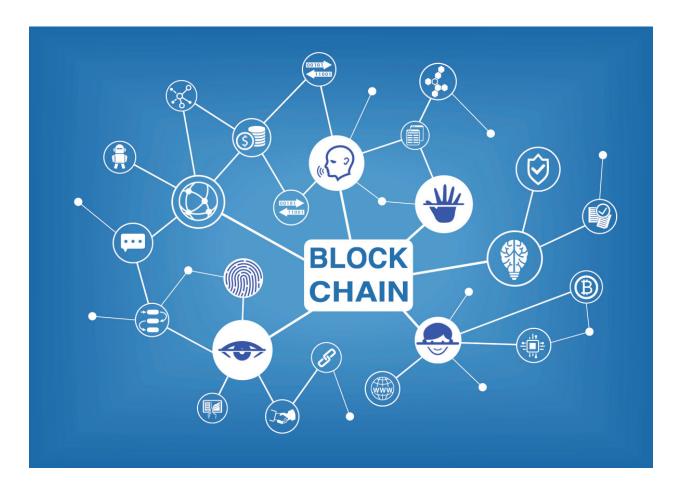
Abstract

Without a doubt, crypto currencies have changed the financial sector. They have disrupted the dominance of financial giants allowing investors an opportunity to transact with others securely and confidentially. However, volatility and liquidity are bottlenecks holding back the crypto currency market. The development of the OMNI protocol seeks to resolve these issues by adding a second layer on the Bitcoin Blockchain. This increases liquidity and reduces the volatility of both Bitcoin and new currencies. Teslacoil Coin takes advantage of these benefits to offer a truly second-generation crypto currency. The financial success of the TESLA is a testament that the OMNI protocol is the future of crypto currencies.

Introduction

Satoshi Nakamoto's 2008 white paper was the first proposal for the use of technology to disrupt the financial monopoly of banks and hedge funds in the financial industry. The idea was simple: the creation of a single ledger that can record transaction information. This was the humble beginning of crypto currency Blockchain. In a few years, the first crypto currencies were created. Even though the market uptake was initially slow, most investors have realized that crypto currencies offer them more than what non-digital currencies can do.

The first crypto currency created no longer required "trust" as a means of proof. Instead, it relied on cryptographic proof. This was a complete game changer in the financial industry. The cryptographic proof recorded the transaction between the two parties without the need for a third party keeping the transaction books. Instead, the transaction information is stored in a digital ledger than is duplicated on all devices connected.



This approach had numerous benefits. First, the lack of an intermediary reduced transaction costs considerably. There was no longer a need for third-party institutions to oversee the transaction and transfer of wealth. Second, security was not guaranteed. Traditional financial institutions are subject to cyber-attacks by phishers and hackers. These individuals gain access to a system for nefarious reasons. When this happens, millions can be lost when the financial data is changed. However, Blockchain is invulnerable to such attacks because the information is duplicated on every device connected to the network.

The third reason is the pseudo-anonymity of crypto currencies. The Blockchain does not record the names of the individuals. Instead, it records the pseudo-name and the transaction. Essentially, there is an accurate record of the transaction, but the names of the participants remain

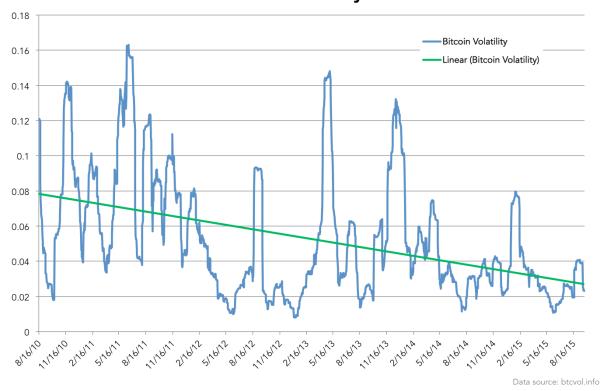
anonymous. Fourth, there is unrestricted transferability of crypto currencies. The international monetary transactions greatly influence traditional currencies. However, crypto currencies can be used without any regard to the geographical location without experiencing a change in the value.

Problems

Despite the benefits that crypto currencies have over traditional currencies, many investors are unwilling to store their wealth in crypto currency coins. This can be attributed to several issues. One of them is the inadequate mass-market understanding of Blockchain. Crypto currencies seem to be a privy of those with some basic understanding of how Blockchain works. This leaves a large portion of the global population unable to understand or invest in the crypto currency market. This is the main problem with crypto currencies. People tend to fear what they cannot understand.

Another problem is the volatility of the crypto currency market. The market experienced some drastic price swings. Sometimes this may be in favor of the investor and other cases. It may be detrimental to the investor. These price fluctuations "put off" investors that are afraid that their hard-earned money may be lost during a price drop. Part of the problem is the frequent flash crashes that many crypto currencies have experienced. These price drops have stoked investor fears leading to greater volatility.

Bitcoin Volatility



Finally, there is a serious problem of liquidity in the crypto currency markets. The traditional financial markets are robust enough to handle large transactions without any serious price fluctuations. However, the crypto currency market fluctuates greatly when a transaction worth millions is done. This lack of liquidity is the main reason why the market is volatile. Any large transactions are likely to sway the market. The liquidity problem is also the reason many flash crashes occur. These problems are the main factors that limit the uptake of Blockchain technology. It is worth adding that the decentralized nature of crypto currencies has received "push back" from governments and international financial institutions that would prefer a more regulated financial system.

Solutions

Different crypto currencies have tried to address the liquidity and volatility problem in different ways. Some of them have opted to peg crypto currencies with real world currencies while others have tried pegging the crypto currency prices to gold. Assessing these potential solutions may reveal the best way to deal with the issue.

The effectiveness of pegging a crypto currency

Crypto currency pegging has been used by many new crypto currency coins seeking to carve out a portion of the market share. Even though this is possible, the current implementation has not been 100% effective. Many of the crypto currencies pegged to traditional currencies suffer the same volatility and liquidity issues. Additionally, most countries do not take kindly to institutions stockpiling currency reserves. As a result, many pegged crypto currencies have experienced failures.

The lack of effectiveness can be attributed to two reasons. One is the lack of source code programming of the trading value. Many pegged crypto currencies that failed did not program the pegged value into their Blockchain. Instead, they relied on traditional arbitration methods that eliminate the decentralization and anonymity that crypto currencies are based on. The second reason is the inability to back the crypto currency values with traditional currencies. Whether it is gold or currency, many governments have enacted laws and regulations that restrict stockpiling of storage of these currencies. An example is the Gold Act in the United States that restricts individuals from storing their wealth in gold without permission from the government. As a result, gold-pegged crypto currencies cannot be formed in America. Additionally,

governments are beginning to attempt to control existing crypto currencies in a bid to regulate the market. This is an attempt to centralize a market based on decentralization. The push and pull between the crypto currency market and "pegged value" may reduce volatility slightly, but it increases the likelihood of flash crashes.

Back to the basics solution

Despite all the measures that new crypto currencies are implementing, none of them is as successful as Bitcoin. The Bitcoin Blockchain may be a bare-bones Blockchain, but it has withstood economic pressures without relying on a precious metal or traditional currency for value. All that needs to be done is elevating the functioning of the Bitcoin Blockchain while maintaining the value of the crypto currencies. There have been some advancements made in Blockchain technology that has improved the crypto currency market. Adopting a crypto currency based on an improved version of the Bitcoin Blockchain is the best solution.

Teslacoil Coin

The solution is the use of the Teslacoil Coin that is based on the OMNI Bitcoin protocol. This crypto currency coin is based on the successful Bitcoin Blockchain, and customers can invest using the same wallet addresses they use when trading Bitcoin. The currency has a maximum of 100 million coins.

Coin history

TeslaCoil Coin (COIN:TESLA) was founded on the principles of Nikola Tesla. Nikola Tesla was committed to breaking the monopoly of big business in the energy sector. He designed the AC system that competed with JP Morgan's DC electrical system. Despite limited funding, he was

able to create the Niagara Falls hydroelectric power plan. This was the crucial moment when AC surpassed DC. Unfortunately, he was sabotaged and his laboratory was burned to the ground. Afterwards, he was forced to rely on the same firm that was his competitor, JP Morgan. In the process, most of the electrical technology he was creating disappeared. This is a classic example of a technological innovation limited by the bureaucracy (and often anti-competitive motives and actions) of big business.

TeslaCoil Coin pays homage to Nikola Tesla by bringing his principles to the crypto currency market. Instead of pegging the coins to precious metals or currencies, TeslaCoil Coin is truly independent. This was the vision of Satoshi when he wrote his white paper. This independence is what gives the TESLA its value because the amount of TESLA to ever be created is set in concrete at 100,000,000 tokens based on cryptography.

TESLACOILCOIN Financial Performance

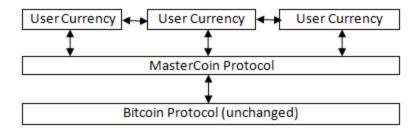
The TESLA is capped at 100,000,000 tokens in true crypto currency fashion. Since its inception, the value has grown considerably. Currently, one TESLA unit is worth 0.868679 U.S. dollars; however, this value is based on sporadic, low volume trading on small foreign exchanges. It also has a value of 0.02531830 OMNI coins or 0.000184 Bitcoin. This is very good performance based in comparison to TeslaCoin (COIN:TES) which is a mineable competitor coin that continues to grow in number of coins on its own blockchain. It easily outperforms crypto currencies pegged on non-digital currencies or precious metals. Additionally, TESLA has not experienced any flash crashes or drastic drops in value. The TESLA is so desirable that First Bitcoin Capital Corp. is using it as the currency of choice when paying out history's first crypto dividends to its public shareholders. First Bitcoin Capital earned 20,000,000 Teslacoil coins as a

fee for creating these tokens on behalf of Tesla Coils, Inc. Tesla Coils, Inc is a privately held corporation founded by Brian Bravo, an inventor (Utility Patent Pending) of a new version of a Tesla Coil that will be sold through www.teslacoilcoin.org. One of the possible utilities of TESLA will be the ability to buy the Tesla Coils produced by Brian Bravo. Remarkably, despite the large position that First Bitcoin has held for more than a year in TESLA, the prices of this coin have remained relatively stable. This shows that improving the existing system instead of pegging a crypto currency's value to traditional measures of wealth may be a better approach.



Technical aspects

The TESLA is based on the OMNI Bitcoin Blockchain, popularly known as Bitcoin 2.0. As earlier stated, Bitcoin is based on a bare-bones Blockchain with limited functioning. Despite the limitations, it has been more successful than any other crypto currency. The OMNI protocol allows the generation, transfer, and payment of transactions using tokens based on any asset. This allows crypto currencies to peg themselves with other currencies or base themselves on non-pegged value. Teslacoil Coin opted for the latter approach.



There are several benefits for opting to use the OMNI protocol, formerly known as Mastercoin Protocol. One issue is the low volatility of the TESLA. The OMNI protocol relies on the Bitcoin Blockchain that has been structured in a way to ensure that every change is embedded in the source code. As a result, the OMNI based crypto coins can use the same exchanges and wallets that Bitcoin uses. This increases the number of players in the system. Simply put, TESLA is relying on the popularity and success of Bitcoin. The likelihood of washout or flash crashes can be statistically deduced based on the square root of the number of players in the Blockchain. Bitcoin already has the greatest number of players. Additionally, other successful crypto currencies like Tether are also using the OMNI protocol. As a result, the combined number of players is quite high diminishing the likelihood of flash crashes.

The OMNI-protocol also provides a solution for the liquidity issues. Building an alternative Blockchain creates competition within the crypto currency market. This competition diminishes the value of different crypto currencies. The financial resources required to address the liquidity issues are stretched too thin. The OMNI protocol is an additional later on the existing Bitcoin Blockchain. Instead of diminishing the value, it increases the value and improves the liquidity. Finally, the OMNI protocol allows the addition of new features to the bare-bones Bitcoin Blockchain. This does not affect the original Bitcoin source code. However, the additional layers

can incorporate new Blockchain technology to make the new crypto currencies easier to trade, exchange or mine. The OMNI protocol is the right protocol for TESLA.

Howey Test

The law in the U.S. in determining whether a financial instrument is a "security" is known as the Howey Test which basically needs to include or consist of at least three of the following four factors:

- 1. It is an investment of money
- 2. There is an expectation of profits from the investment
- 3. The investment of money is in a common enterprise
- 4. Any profit comes from the efforts of a promoter or third party

TESLACOIL COIN is not an investment in a common enterprise as it offers no ownership in any business, is backed by no asset(s), either in Tesla Coils, Inc nor any of its assets, and it neither earns nor pays profits to its token holders.

Dividends of TeslaCoil Coin Exempt from Registration

Background

First Bitcoin Capital Corp. (the "Company") will distribute virtual/crypto currencies (also known as "altcoins") as a dividend to its stockholders.

The Company is a non-reporting, foreign private issuer that is exempt from registration with the SEC due to the limited scope of its assets and stockholder base in the United States. The Company's common stock trades on the "Other OTC US Markets" under the symbol "BITCF". It owns a plethora of altcoins that it either earned, mined, developed or acquired. The Company has earned 20 million units or tokens, also commonly referred to as "altcoins", of a virtual/crypto currency identified as TeslaCoil Coin, or "TESLA." TESLAs are not registered and may be purchased and sold freely on cryptocurrency exchanges outside the United States. The Company has established its own non-US bitcoin exchange called the COINQX, on which TESLA was initially quoted. The Company intends to distribute approximately \$12,000,000 worth of its inventory of TESLA as a dividend to its existing stockholders on a pro rata basis of US\$0.037 worth of TESLA for every share of the Company's common stock held as of a record date of

September 12, 2017. According to the profile published on OTC Markets, the Company currently has nearly 305,000,000 shares of its common stock outstanding held by approximately 240 stockholders of record as of June 30 2017. These amounts may change on or by the record date. TESLA trades sporadically on three crypto exchanges with limited volume.

The TESLA tokens will be distributed to and be held by the Company's stockholders in "digital wallets." The Company will notify each stockholder of record of the distribution of these digital tokens by sending each of them an instruction letter substantially in the form of Exhibit 1 attached hereto. Thereafter, each stockholder will be able to use the TESLAs in the same manner as other bitcoin type of currencies currently in circulation.

Analysis – No "offer" or "sale" of a Security pursuant to the TESLA distribution plan

The Company believes the proposed distribution of its TESLA holdings to its stockholders is comparable in some ways to a stock dividend which is a pro rata distribution of a corporation's own stock to its stockholders. From the inception of the Securities Act, a stock dividend has been considered not to require registration because the issuance of the security did not constitute a "sale" for purposes of Section 2(a)(3) of the Securities Act. The Company believes this same "no-sale" circumstance is present with regard to the Company's proposed distribution of its TESLA inventory in that the recipient stockholders will give no value for the TESLA received.

A 1936 interpretive release by the General Counsel of the SEC stated that a stock dividend would not require registration because it does not involve a "sale," since it is not for value. See Securities Act Release No. 33-929 (July 29, 1936), (discussing whether a sale of a security is involved in the payment of a stock dividend). More recently the SEC has published on its website an updated version of its Compliance and Disclosure Interpretations [November 26, 2008 and last updated September 22 2016] which included the following:

"Question: If a company declares a dividend that is payable in either cash or securities at the election of the recipients, does the declaration of the dividend need to be registered under the Securities Act?

Answer: No, as there is no sale of the dividend shares under the Securities Act. [Nov. 26, 2008]"

The Company believes the Staff has consistently held that public companies are allowed to issue dividends consisting of their common shares pro rata to their stockholders without the need to register such distribution with the SEC. Similarly, BITCF believes the distribution of the Company's inventory of TESLA as a dividend to its stockholders should be treated the same as a company directly distributing its common shares or cash to its stockholders without any consideration given by the recipient stockholders.

Furthermore, the Company does not believe that the issuing of a dividend in the form of the TESLA creates a new "security" as that term is defined in Section 2(a)(1) of the Securities Act. The Company is of the view that the TESLA tokens are akin to fiat currency in practice. They do not represent shares of the Company's common stock nor are they collateralized by shares of the Company's common stock. The TESLA tokens will be purchased and sold over bitcoin exchanges

independently and will not represent the purchase or sale of any securities of any for profit enterprise.

The Company also distinguishes its TESLA ownership from other types of crypto/virtual currencies which have been offered as a type of investment contract. For example, in the case of SEC v. Shavers, No. 4:13-CV-416, Mr. Shavers represented that he was in the business of selling virtual currency to local people and solicited investors. He also described himself as a participant in the hard money sector of virtual currency, and promised investors a return on investment of 1% interest daily. All of the transactions were done with bitcoin and none of the bitcoins were registered on any bitcoin exchange. In that case, the SEC took the position that the virtual currency was a "security", because Mr. Shavers created a note or investment contract which is traditionally defined as any contract, transaction, or scheme involving an investment of money, in a common enterprise, with the expectation that profits will be derived from the efforts of the promoter or a third party. SEC v. W.J. Howey & Co., 328 U.S. 293, 298-99, 66 S. Ct. 1100, 90 L. Ed. 1244 (1946).

The Company's understanding of the Commission's position in the <u>Shavers</u> case cited above is that if more than just a distribution or if a "sale" of the crypto/virtual currency occurs and a profit is offered by the issuer, then the Commission would apply the Howey factors as it did in the <u>Shavers</u> case. However, if the unconditional distribution of a virtual/crypto currency is accomplished without the "sale" of such virtual/crypto currency and without additional promises or features of an expected return or profit on such virtual/crypto currency, then such virtual/crypto currency would not be deemed an investment contract or a security requiring either registration or the availability of an applicable exemption from registration. Under the foregoing analysis, the Company does not believe its TESLA ownership and distribution thereof would represent a security and the distribution of its TESLA as a dividend would not represent the sale of a security.

As a final aspect of this analysis, the Company has learned that on September 17, 2015 the Commodity Futures Trading Commission ("CFTC") took the position that crypto currencies like Bitcoin and altcoins similar to TESLA are commodities and not securities.

Conclusion

For the foregoing reasons, the Company last year requested that the SEC's Staff confirm that it will not recommend enforcement action if the Company distributes a cryptocurrency (as described above) without registration in reliance on an opinion of the Company's securities counsel concluding that such distributions will not involve a "security" for purposes of Section 2(a)(1) of the Securities Act and will not constitute the "sale" or "offer to sell" a security for purposes of Section 2(a)(3) of the Securities Act. The SEC replied that a "no-action letter" was not required inasmuch as sufficient guidance the question had already been issued by the SEC. The Company's securities counsel, in a letter sent to the SEC in December 2016, acknowledged the SEC's response and confirmed that BITCF would be declaring such a dividend in 2017.

Conclusion

For the past two years, crypto currency launches have been dominated by plans to peg the crypto currencies with non-digital currencies. However, this seems to deviate from the decentralized origins of Blockchain. Experts predict that governments will increasingly attempt to regulate and control crypto currencies in the next few years. However, Bitcoin has seen increased success despite not being pegged to any currency.

TESLA aims to share in this success by relying on the OMNI Bitcoin Blockchain. This protocol allows TESLA to piggyback on the success and security of the Bitcoin Blockchain. This layering approach is the only way to address the volatility and liquidity issues with crypto currencies. The financial success of TESLA is a testament to the effectiveness of this technology in improving the crypto currency market. Furthermore, the protocol does not affect the original Bitcoin Blockchain. Instead, it only improves it. This is why many speculators, vendors and end-users may turn to TESLA.

The future is also bright for TESLA. At some point, the OMNI protocol will be used as the basis of a second layer. New currencies that will be founded on the second layer will further propagate the value of TESLA. By so doing, Teslacoil Coin will be able to pay proper homage to Nikola Tesla.

References

- 1. Omni Layer specs on GibHub https://github.com/OmniLayer/spec
- 2. TESLA Explorer http://omnichest.info/lookupsp.aspx?sp=50

Note: web site since changed from teslacoilcoin.com to teslacoilcoin.org

3. Coin Market Cap history of TESLA trading

https://coinmarketcap.com/assets/teslacoilcoin/

- 4. Competing (unrelated) Coin TES https://coinmarketcap.com/currencies/teslacoin/
- 5. SEC's report reveals that Bitcoin and similar crypto assets are not securities and clarifies when a crypto assets become securities https://www.sec.gov/news/press-release/2017-131
- 6. Bitcoin and similar altcoins are commodities https://www.coindesk.com/cftc-ruling-defines-bitcoin-and-digital-currencies-as-commodities/
- Brian Bravo's patent pending tesla type coils known as HIGH-FREQUENCY
 CLIMBING SCALAR ARC/BODY TUNER SYSTEMS
 https://www.google.com/patents/US20160310753
- 8. First Bitcoin's announcement of paying crypto dividends https://www.nasdaq.com/press-release/historys-first-dividend-to-be-paid-in-cryptocurrency-to-shareholders-of-publicly-traded-company-20170802-00257
- 9. Explanation of corporate dividends https://en.wikipedia.org/wiki/Dividend
- 10. Securities and Exchange Commission's position on cash dividends https://www.sec.gov/divisions/corpfin/guidance/sasinterp.htm

Exhibits 1 of 1

Letter head of BITCF

Dear Shareholder (insert name of shareholder),

As a shareholder of record on September 12, 2017 you are entitled to receive \$.037 worth of TeslaCoil Coin based on the closing prices of BITCF and TESLACOILCOIN on the declaration date of August 2 2017. Payment is being made on September 29, 2017. For those that are unable to follow payment instructions below on or before payment date their TeslaCoil Coins will be held by us indefinitely pending your instructions.

This is based on your owning	_ shares on the record date and therefore we are
currently holding on your behalf	TeslaCoil Coins.

In order to receive your dividend the following is necessary:

Create a wallet at https://www.omniwallet.org/

Once you have created that wallet insert the wallet address here:
Note: if you email this letter to us we will send you an editable version you can copy and paste into.
I, (we), herby authorize and instruct First Bitcoin Capital Corp and/or its transfer agents to transfer the above mentioned amount of TeslaCoil Coin to my above referenced wallet. I understand that if I did not give the exact address of my Omni Wallet that my TeslaCoil Coins will be forever lost and I, (we) will make no further claims for same.
(clearly print name of shareholder or name and title of officer acting for an entity, date and sign above the line):
Scan and return this signed document to dividends@bitcoincapitalcorp.com
Sincerely yours,
Management
FIRST BITCOIN CAPITAL CORP.

Reference: www.Bitcoincapitalcorp.com/teslacoilcoinwhitepaper