

The OilCoin White Paper

OilCoin: A Regulatory Compliant, Digital Reserve Currency

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Overview:

OilCoin is the world's first regulatory compliant digital currency supported by verified oil reserve assets. OilCoin enables individuals and organizations to utilize a transparent peer-to-peer exchanged digital currency with intrinsic value based on oil – the most liquid and actively traded commodity and critical energy resource for the global economy. Each OilCoin represents the value of one reserve barrel of crude oil and will be supported by an undivided interest in a bundle of oil assets including physical oil, oil futures contracts, oil forward contracts and interests in oil producing properties with an aggregate value approximating the aggregate value of all OilCoin in circulation.

OilCoin has been structured with a view towards becoming the world's leading safe-haven tokenized store of value. By linking each OilCoin token to existing and verified real world assets, OilCoin enables holders of digital and fiat currencies seeking to preserve wealth, lock in gain and/or avoid loss to acquire, hold and transfer intrinsic value in digital token form. In order to meet increased demand over time, the number of OilCoin in circulation and their supporting oil reserves are able to expand in tandem to maintain an approximate equilibrium between the USD price of a single OilCoin and single barrel of oil on global markets without diluting the interests of existing OilCoin holders. The embodiment of OilCoin's store of value in a transferable digital token will enable holders to preserve wealth and engage in commercial and consumer transactions while avoiding volatility, inflation and devaluations associated with other digital or national fiat currencies.

OilCoin is founded and coordinated by a fully transparent, experienced and highly reputable team who will manage the operations and development of OilCoin and act to ensure compliance with applicable laws of the U.S. and other jurisdictions. The OilCoin team includes Hon. Bart Chilton, long-time commissioner of the U.S. Commodity Futures Trading Commission,

as well as other professionals with significant responsibilities in the fields of global financial regulation, compliance and management.

At its core, OilCoin represents the peer-to-peer transferability of digitized commodity value. OilCoin's unique structure, verified intrinsic value and stable price provide meaningful economic benefits to its holders, purchasers and sellers. In particular (i) OilCoin will be a reliable store of value, medium of exchange and unit of account, (ii) OilCoin will enable holders of other digital or national currencies to lock in gains and/or protect against ruinous declines in value due to inflation, volatility or currency devaluation, and (iii) OilCoin will be an effective economic proxy for investments in oil, and to the extent of their positive correlation with oil, other commodities. These characteristics, together with a continuous focus on transparency and regulatory compliance, position OilCoin to become the leading safe-haven digital reserve currency capable of appealing to global investors and consumers regardless of size, sophistication or capital base.

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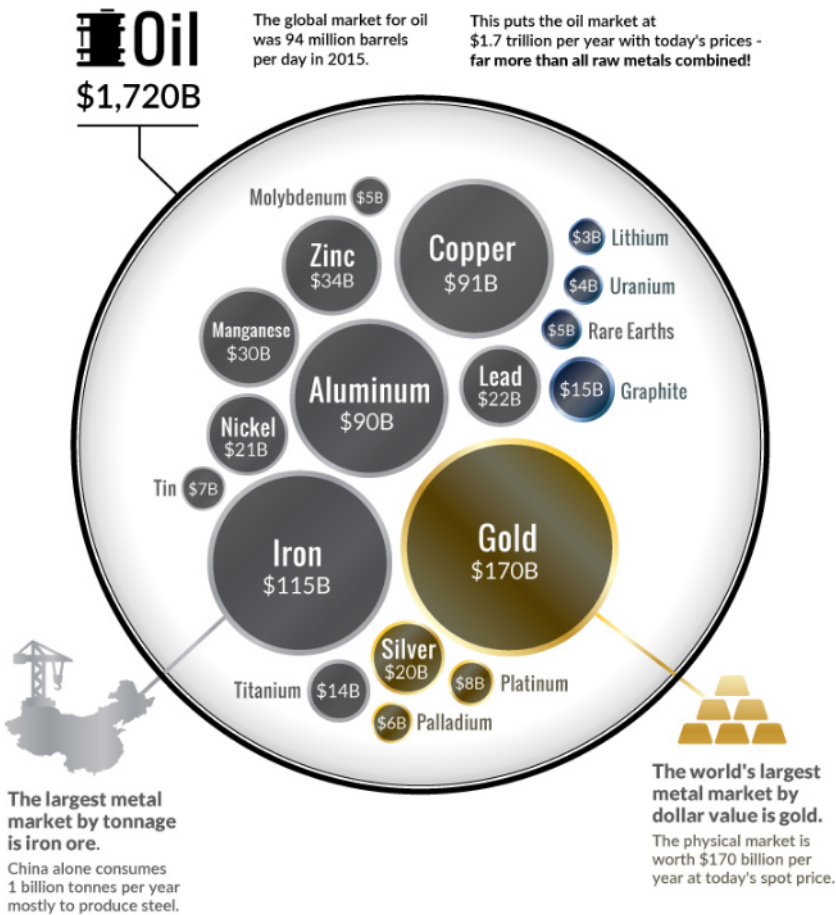
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1. Significance of Global Oil Market

At USD 1.7 trillion in annual transaction size, the global oil market is the single largest and most actively traded and liquid commodity market in the world and is larger than the annual GDP of all but 10 countries. It is 10x the size of the traditionally accepted and historic reserve gold market and is larger than all global raw metal markets combined¹:

BIG OIL

The oil market is bigger than all raw metal markets combined



¹ <http://www.visualcapitalist.com/size-oil-market/>

Unlike traditional reserve assets such as gold which have limited true function in terms of driving global economic activity, oil is the single most critical commodity for the continuous functioning of the global economy and the single best long term hedge against inflation and currency devaluation. Oil (in the form of crude petroleum) serves as the core driver for multiple mission critical global products such as gasoline, diesel fuel, jet fuel, plastics and countless specialty chemicals. As a result of oil's utility, it is likely to remain a driving force for global business, especially as economically developing populations become more voracious consumers and advancing horizontal drilling and completion technology helps ensure that the price of oil stays competitive with alternative forms of energy. The relative size of the global oil market and its significance in the world economy make oil an ideal commodity to support a digitized currency.

2. Substantial Market Opportunity for the Development of a Legally Compliant, Intrinsically Valuable Digital Currency

Most estimates of global wealth far exceed USD 200 trillion, with a substantial portion held by banks, sovereign entities and similar financial institutions in the form of fiat currency, corporate and real estate debt and equity, securitized consumer debt, and interests in commodities. The migration of interests in these assets into digital currency through blockchain-enabled applications represents an enormous opportunity for early supporters of OilCoin to help create, develop and profit from the development of what is designed to become the most broadly and globally accepted digital reserve currency.

While speculative interest in digital currencies will continue to expand rapidly, there has been limited mainstream adoption of digital currencies for a variety of reasons, including volatile price swings, adverse governmental regulation, insufficient general understanding of blockchain technology, and difficult interface for non-technical users in ordinary commercial transactions.

These issues are being addressed rapidly and by an increasingly sophisticated group of individuals and firms dedicated to expanding the mainstream use and acceptance of digital currencies. Various governments are supporting adoption of blockchain enabled peer-to-peer transfers by enacting legislation designed to facilitate trade in select digital currencies. In addition, regulatory bodies such as the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission have recently clarified that some digital currencies may be securities and/or commodities and therefore subject to all laws pertaining to them. Ongoing developments to create personal accountability and investor and consumer protections will ultimately expand the universe of potential holders of legally compliant digital currencies.

While all financial institutions and commercial vendors accept fiat currency as payment for assets and services, many have refused or are unable to engage in transactions involving digital currencies. OilCoin's future development will be structured to help harmonize these two globally significant but presently separate payment systems in two critical ways. First, by establishing certainty regarding the legal right to transfer OilCoin throughout the world to the maximum extent possible while promoting and ensuring the transparency of all OilCoin related assets and operations. And second, by utilizing OilCoin's supporting assets to facilitate commercial and ordinary consumer transactions around the world. OilCoin seeks to advance upon other digital currencies which enable direct, open-source, cryptographically secure, peer-to-peer transfer by enabling legally permissioned digital transfer of underlying asset value.

Increasingly, global regulators are heightening their scrutiny of transactions wherein digital currencies are converted to cash through online exchanges. As a consequence of the difficulties in many jurisdictions to freely convert digital and fiat currencies, holders of digital assets seeking to lock in investment gains in other digital currencies or preserve the value of their digital holdings

will seek alternative digital currencies for the secure preservation of wealth. As the largest and most globally useful and highly liquid asset, oil serves as the ideal asset upon which a successful digital currency can be based.

3. Characteristics of OilCoin

3.1 OilCoin is Supported by Substantial Intrinsic Value

Almost all fiat and digital currencies lack the support of any tangible asset. Fiat currencies are too frequently short-lived, are highly vulnerable to the oft-repeated cycle of inflationary pressures followed by dramatic revaluations, are exposed to political control, monetary policy management and adverse political or economic events, and are supported solely by the full faith and credit of the issuing nation. Similarly, digital currencies are highly vulnerable to volatility or a collapse in value due to adverse supply and demand dynamics and, at best, merely represent an interest in the future business prospects of the issuer or the users of the currency. In contrast, OilCoin is a digitized interest in equivalent value of oil and is free from the external risk of governmental intervention affecting the valuation of fiat currencies or the extreme volatility faced by digital currencies. OilCoin offers all of the advantages historically associated with blockchain enabled digital currencies while providing a fully verifiable and audited asset reserve to ensure its value, stability and security as a leading medium of exchange.

Many government regulators and detractors of digital currencies have pointed to their lack of intrinsic value as an indication of fraud or harbinger of collapse. By pioneering the first U.S. domiciled, regulatory compliant, asset-supported digital currency, OilCoin hopes to open the use of digital currencies to a significant portion of the global trade and financial markets that have previously shied away from full-scale adoption.

OilCoin fully supports use of a public blockchain as a means to facilitate private exchange

and fundamentally believes that blockchain technology will permeate the transfer of data and value over the coming years and decades. OilCoin is committed to working with domestic and global governmental agencies, financial institutions, traders and users of commodities to develop protocols to help facilitate OilCoin's adoption as a leading digital reserve currency.

3.2 The OilCoin Team is Fully Transparent and Committed to Legal Compliance

Digital currencies are frequently praised for providing a number of significant advantages compared to the current financial system. These include (i) ownership and peer-to-peer exchange based on cryptographic proof rather than efforts of "trusted third parties", (ii) immunity from governmental interference and regulatory compliance, and (iii) anonymous, borderless transferability of value and free convertibility to other assets. Even casual observation of the current global cryptocurrency markets leads to the conclusion that these laudable ideals have not yet been realized. In particular:

3.2.1 Virtually all digital currencies have been backed, designed, built and managed by an individual or small team (not always identified), and leading digital currencies are frequently transferred via exchanges or wallets rather than directly peer-to-peer. In other words, there is a "trusted third party". However, the principals behind those third parties and their motivations are often wholly or partly unknown, and in most instances have not been subject to governmental or private scrutiny. Cryptographic proof of existence and exchange provides assurances of existence and exchange, but nothing more. Rather than abide by the fiction that there is no trusted third party necessary to facilitate trade in digital currencies, OilCoin recognizes that current digital currencies could not exist without trusted third parties, and therefore will actively seek to foster that trust by providing transparent leadership and complying with applicable securities, commodities, tax and currency regulations.

3.2.2 Issuers, buyers and sellers of digital currencies have long acted as though they are immune from governmental regulation, and have executed strategies to preserve secrecy and avoid governmental disclosure and legal compliance. While this may be an acceptable risk for individual digital currency speculators and miners, particularly those residing in jurisdictions with limited regulation and lax enforcement, global financial institutions and individuals with the need or desire to comply with laws will increasingly move to digital currency platforms that they believe are trustworthy and help insulate them from the adverse consequence of shifting government enforcement of laws and regulations. OilCoin is committed to legal compliance for itself, the exchanges on which it trades and its holders, buyers and sellers.

3.2.3 Many early adopters and current users of digital currencies have been attracted to the perceived anonymity of transferring value in an undetectable manner. While legal enforcement to date has been sporadic, inconsistent and in some instances unpredictable, the exponential growth of digital currency assets can lead to one conclusion only: increased governmental regulation and enforcement for the protection of the holders of digital currencies and society at large. A combination of regulatory regimes is likely to make it increasingly difficult (and potentially illegal) to anonymously transfer substantial stores of value. While OilCoin is committed to facilitating pseudonymous peer-to-peer exchange of value, it will do so in compliance with regulations governing such transfers. OilCoin believes that transparency goes far beyond verification of the number of outstanding or available coins. By providing the fair and accurate disclosures required under U.S. securities laws and other applicable laws (and being subject to civil and criminal liability for any failure to do so) OilCoin is positioned to become a global leader

in setting the standards for transparency and disclosure for digital currencies, thereby accelerating OilCoin's use in worldwide commerce.

4. Initial Technical Arrangements

Each OilCoin issued into circulation will be supported by oil assets corresponding to the value of a single barrel of oil on a one-to-one basis. OilCoin will partner with leading globally recognized institutions in order to cost-effectively and securely build and monitor the pool of oil assets benefiting all OilCoin holders. Holders of OilCoin will have the ability to exchange their holdings, in full or in any decimal form, for equivalent spot value of any actively traded digital currency. Once an OilCoin has been issued, it can be held, transferred or exchanged, subject to applicable law, either in whole or in part, in the same manner as other digital currencies.

At any given time, the value of OilCoin's supporting oil assets will approximate the number of OilCoin in circulation multiplied by the price of a single barrel of oil. This simple configuration most easily supports a reliable audit of oil reserve assets; a process which is fundamental to maintaining the price parity between OilCoin in circulation and the underlying supporting assets. OilCoin will promote and encourage integration into other exchanges, wallets and merchants and will encourage them to collaborate to integrate OilCoin as a surrogate for traditional fiat payment methods. Because the entities carrying out the OilCoin enterprise will act as a custodian of oil assets, the operation and maintenance of OilCoin (like many other digital currencies) is not completely decentralized.

As an emerging digital currency, OilCoin seeks to be easy to buy, sell, use and hold. In particular (i) OilCoin may be used in the same manner as other digital currencies, held as a store of value or transferred from peer-to-peer in a pseudonymous, decentralized, cryptographically secure environment, (ii) OilCoin can be easily integrated with merchants, exchanges and wallets,

and (iii) the purchase and sale of OilCoin is less likely to face material pricing or liquidity constraints as the supply of OilCoin and its supporting oil assets will expand and contract to maintain an equilibrium price of a single OilCoin approximating the price of a single barrel of oil.

5. Monetary Policy to Support Price Stabilization

In order to ensure measurable intrinsic value and price stability, each OilCoin will maintain an approximate one-to-one ratio with the value of a single barrel of oil. This equilibrium will be achieved through management of the oil assets and the number of OilCoin in circulation. As demand for OilCoin causes the price of a single OilCoin to rise above the spot price of a barrel of oil on global markets, additional OilCoin may be issued in private or open market transactions and the proceeds will be invested in additional oil assets. Similarly, if the price of an OilCoin falls below the price of a barrel of oil, oil assets may be liquidated with the proceeds used to purchase OilCoin privately or in the open market. This method of issuing or repurchasing OilCoin and the corresponding investment in or liquidation of oil assets will provide stability to the market price of OilCoin relative to the spot price of a barrel of crude oil and will provide verifiable assurances that the value of oil supporting all OilCoin will approximate the aggregate value of all issued OilCoin.

OilCoin's price stability program will be managed by the OilCoin management team with a view to supporting the liquidity and functional operation of the OilCoin marketplace and to maintaining an approximate but not precise correlation between the price of a single OilCoin and the spot price of a single barrel of oil. While maintaining price stability of digital currencies through algorithmic purchase and sale may be appropriate in certain circumstances, and while it is possible as a technical matter to link such an algorithm to a programmed purchase and sale of oil assets, such an approach would be likely to result in (i) the decoupling of the number of OilCoin

in circulation from an approximately equivalent number of barrels of oil, and (ii) a highly volatile stock of oil assets adding unnecessary and avoidable transaction costs which would reduce the value of OilCoin's supporting oil assets. Accordingly, it is expected that purchases and sales of OilCoin and oil assets to support price stability will be made on a periodic basis as the price of OilCoin and the price of a single barrel of oil diverge by more than a to be specified margin.

6. OilCoin's Use in Commercial and Consumer Transactions

OilCoin appears capable of widespread utility and adoption for use in cross-border commercial transactions in oil and oil related assets. Prior to the creation of OilCoin, no currency has been denominated in barrels of oil. As a consequence, parties to a forward or future purchase and sale of oil assets outside of the same country (or currency zone) must record their transaction in a national fiat currency with one or both parties forced to bear or hedge the risk of cross currency volatility as well as fluctuations in the price of oil. A cross-border, future market-price, forward purchase transaction settled in OilCoin is one example where this risk may be avoided. Since the price of one OilCoin approximates the price of one barrel of oil, pricing a forward purchase contract in OilCoin enables the purchaser of oil to purchase OilCoin on the date on which the contract is made and pay those OilCoin at a future date in exchange for a fixed quantity of oil. In the absence of OilCoin, the purchaser would be forced to hedge or bear the risk of changes in both cross-currency rates and the price of oil. Similarly, to the extent that changes in oil price quoted in a national fiat currency are expected to track changes in that national fiat currency relative to other fiat currencies, pricing transactions in OilCoin will be an effective means to avoid currency risk in ordinary commercial transactions even for goods and services unrelated to oil.

7. Comparison to Oil Exchange Traded Funds

U.S. investors seeking exposure to oil frequently turn to exchange traded funds (ETFs) and exchange traded notes (ETNs) which track the daily price movement of Brent or West Texas Intermediate crude oil. ETFs and ETNs achieve this result through an investment strategy of investing in near dated crude oil futures and rolling into the next period future as the previous future reaches expiration. Unlike most other ETFs, oil ETFs are structured as limited partnerships for U.S. Federal income tax purposes, and the “shares” of oil ETFs are generally partnership interests and not shares of corporate stock. Under U.S. tax law, limited partnerships allocate income to their partners on an annual basis requiring the partners to report the allocated income to the U.S. IRS and pay taxes on that income. Most oil ETFs do not pay distributions to the ETF holders in an amount which is sufficient to cover their annual tax burden. The income earned by the ETF and allocated to the holders is generally a mix of short and long-term capital gain and ordinary income and possesses a range of other tax characteristics (including UBTI (unrelated business taxable income), additional taxes on dividends and potential for treatment as a tax shelter) which create additional potentially undesirable consequences for a variety of holders. This tax structure makes oil ETFs particularly undesirable investments for non-U.S. taxpayers since holding oil ETFs would create U.S. tax reporting obligations where none would otherwise exist. While ETNs are structured somewhat differently, their tax consequences are substantially similar to ETFs.

The overall tax treatment of OilCoin to the holders is intended to be far more straightforward and potentially results in less total tax paid on gain, with that gain recognized only upon sale of OilCoin. U.S. persons holding OilCoin are expected to receive no allocations of income or expense from the operations of OilCoin. As a result, there would be no tax reporting obligation or tax payable based on the activities and operations of OilCoin. Instead, the only tax obligation of

a U.S. holder of OilCoin would be to recognize gain (or loss) upon sale of OilCoin. These gains are expected to be treated as capital gains under U.S. tax law, and long-term capital gains for OilCoin held longer than one year. Non-U.S. taxpayers who buy and sell OilCoin are not expected to receive allocations of income from OilCoin or be subject to U.S. withholding tax or tax reporting obligations with respect to OilCoin's activities and operations. As a general matter, the tax consequences of purchasing and selling OilCoin by person outside of the U.S. are determined by the laws of their jurisdictions.

The investment strategy and business development activities of OilCoin differ in certain material respects from ETFs. In addition to investing in oil futures, the assets supporting OilCoin will also be invested in physical oil, oil forward contracts and interests in oil producing properties in various jurisdictions in order to hold a diversified pool of assets and avoid the risk of holding a single, concentrated position in exchange traded futures contracts. As a result, OilCoin's investment returns will approximate but not precisely track the price movement of a spot barrel of crude oil. Additionally, as the development and operation of OilCoin's business will require greater expense than managing a portfolio of oil futures contracts, the overall income and expense profile of OilCoin should not be viewed in relation to the income and expense of ETFs.

OilCoin's entity structure and tax attributes represent the creation of a new and unique financial instrument facilitating the tax efficient, peer-to-peer transfer of stored commodity value.

The creators of OilCoin have undertaken substantial work to date regarding the potential tax treatment of OilCoin and believe the above statements to be true and accurate. However, there can be no assurance that any anticipated tax treatment can be achieved or approved by taxing authorities and no such guaranty or representation is made or implied. Each holder of OilCoin is solely responsible for payment of all taxes owed by it under applicable law.

8. Founding Leadership Team

OilCoin is committed to transparency and accountability in all of its activities. The team behind the development and operation of OilCoin is comprised of experienced leaders in their fields with significant work history at leading globally recognized institutions. Even more importantly, the team is comprised only of individuals who have demonstrated the highest level of integrity and character throughout their careers.

Biographies

Darius Brooks brings extensive private equity, finance, technology and energy investment experience to OilCoin. Mr. Brooks has over 20 years of experience as an entrepreneur, private equity investor and manager during which he played an active role in 67 separate investments approximating US\$6.2 billion in value. As a private equity investment executive, Mr. Brooks held senior roles with several leading buyout firms, including TPG where he helped manage the firm's midcap global energy, power and commodity investments, Thomas H. Lee Company and Arsenal Capital Partners. Mr. Brooks served as the Chief Investment Officer of a leading privately-held energy investment company focused on building a significant portfolio of oil and oil related assets. Previously, Mr. Brooks co-founded financial technology company, WiredCapital, backed by Softbank and Trinity Ventures. Early in his career, Mr. Brooks was an investment banking professional at CS First Boston. Mr. Brooks is a graduate of Stanford's Graduate School of Business and Stanford University with a B.S., M.S., Civil and Environmental Engineering.

Daniel Eisner is widely recognized as a leading U.S. corporate transaction lawyer with significant experience counseling boards of directors of public and private companies, and private equity and venture capital investors in a broad range of matters including securities, financing and capital markets, mergers and acquisitions and financial regulation. Previously, Mr. Eisner was a

senior partner and head of the private equity practice of DLA Piper LLP, one of the world's largest and most geographically diverse law firms, an Adjunct Professor at Fordham University School of Law and General Counsel of Arsenal Capital Partners, a leading NY based private equity firm. Prior to the practice of law, Mr. Eisner traded foreign currency options on the Chicago Mercantile Exchange and was an investment banker at Citibank and predecessor firms of Credit Suisse and Deutsche Bank. Mr. Eisner studied economics and business management at The University of Chicago and law at Northwestern University School of Law. He is admitted to the bars of New York, Florida and Illinois.

Hon. Bart Chilton, former Commissioner of the U.S. Commodity Futures Trading Commission (2007-2014), has served in the Federal government for 30 years in the U.S. House, Senate and as part of three presidential administrations. As leader of the U.S. CFTC, Commissioner Chilton was responsible for regulatory oversight of the U.S. commodities markets, with a particular focus on ensuring market integrity and protecting participants and the public against fraud and market manipulation. A strong supporter of disruptive financial technologies, Commissioner Chilton was the first U.S. financial regulator to speak out about the appropriate balance between consumer and investor protections and the regulation of cryptocurrencies. Commissioner Chilton as a recognized expert in the field of government regulation of fintech innovation and is a highly sought-after speaker at financial events and conferences, regularly appears on business television as a policy and political commentator and often pens opinion editorials which appear internationally. Known as an ardent consumer advocate, Commissioner Chilton is the author of *Ponzimonium: How Scam Artists Are Ripping Off America*.

9. Overview of Global Cryptocurrency Market

9.1 Manifest Benefits of Cryptocurrencies

Transactions in OilCoin, like other digital currencies, will be recorded and propagated on a blockchain distributed ledger. As a result, transactions in OilCoin will be trustless, censorship-resistant and private. Unlike other forms of asset control or money transfer, once a transaction in OilCoin is confirmed by the blockchain network, it will become irreversible.

As a legally compliant digital currency supported by valuable assets, OilCoin will utilize best available protocols for digital currencies and will help promote the ongoing change in the way global asset management and financial transactions occur by removing artificial barriers caused by legacy financial institutions, enabling:

- True peer-to-peer payments anywhere in the world
- Minimal transaction fees and processing time compared to traditional banking
- Payments between pseudonymous parties ensuring financial privacy
- Non-reversible transactions preventing chargebacks and fraud

9.2 Volatility and Dominance of Leading Cryptocurrencies

Recent volatility in the price of digital currencies underscores the need for a stable and accepted digital reserve currency such as OilCoin. Though nearly 1,200 individual coins are recognized on www.coinmarketcap.com and supported for trading purposes, as of the end of November 2017 approximately 89% of the market's approximately \$300 billion total value reside in the 10 largest coins and a whopping 83% of total market value resides in only 4 highly volatile coins (Bitcoin, Ethereum, Bitcoin Cash and Ripple).

Despite the surging popularity and recognition of the multi-billion dollar digital currencies, their volatility in recent months has been significant and is highly likely to continue. This volatility is attributable to a number of factors, principal among them being lack of liquidity,

adverse governmental regulations affecting ICOs, digital currency transfers and exchanges, and various protocol battles pitting miners and others with significant sunk infrastructure investments against individuals pushing for more function-oriented, rapid and scalable solutions. It is reasonable to assume that increased government regulation and protocol wars will persist over the coming months and years and that the currency, platform or protocol that succeeds in today's market will be replaced by competitive technologies or hard forks in the future.

The extreme volatility displayed by leading digital currencies as they vie for global platform and protocol dominance has provided a compelling way to speculate as new digital currencies continue to emerge. However, extreme volatility is a strongly negative factor in market environments with declining values or if the goal for an investor, merchant or institutional or individual holder is price stability or value preservation. As a result, the role and importance of a currency like OilCoin - which is fully digital and blockchain supported but is also directly linked to and supported by reserve value derived from the most liquid and actively traded asset in the world - may be an increasingly critical one in future years.

9.3 Comparison to Fiat Currency Ties or Tethers

The volatility associated with Bitcoin and other leading digital currencies has led many holders of digital currency assets to seek to diversify their holdings into different digital currencies that allow them to link to external, real-world asset value not directly correlated with fluctuations in the broader digital currency market. Tokens such as the USD Tether have increased in popularity as exchanges and speculators seek to transact in USD linked digital currency and avoid conversions to fiat currencies. However, existing tokens that seek to tether directly to fiat currencies have faced a host of issues, particularly in instances where their implementation requires token holders to convert between fiat currency and digital currency, or where the tethered assets are subject to uncertain regulatory regimes or are under the control of a hostile custodian.

OilCoin has been designed to mitigate the risks of other tethered digital tokens in two principle ways. First, users of OilCoin may but never need to convert between OilCoin and fiat currency. At all times, OilCoin may be bought or sold for other digital currencies. Second, unlike a tethered digital currency which holds its fiat currency as deposits in one or just a few banks or other financial institutions, OilCoin's assets will be spread across a variety of assets including physical oil, oil futures, oil forward contracts and interests in oil producing assets. These assets will be in multiple locations and with multiple custodians and counterparties thereby insulating OilCoin from heavily concentrated risk resulting from the failure of any one of them.

9.4 Emerging Regulatory Landscape

The substantial growth in digital currencies over the past few years has received significant attention from national regulators the world over. Notwithstanding, most countries at present affirmatively permit participation in ICOs and the purchase, sale and exchange of digital currencies without government registration or mandated disclosure. Several countries, however (notably China and Russia), have enacted legislation prohibiting participation in ICOs or transacting in digital currencies, including transactions on exchanges. The U.S. and Abu Dhabi have published guidance limiting participation in unregistered ICOs to persons holding accredited investor status. Many countries have long-standing laws regarding the issuance of securities which are clearly implicated by the issuance and sale of many digital currencies, though most enforcement actions have been reserved for cases involving fraud. Similarly, many countries have laws restricting the cross-border transfer of currency, which would be implicated by digital currency transfer - though enforcement is often lax or sporadic. A number of countries have taken positions hostile to digital currency and it appears that digital currency transactions by nationals could result in adverse legal consequence, though enforcement may be sporadic.

Going forward, it seems likely that the trend toward increased regulatory scrutiny will

continue, though it does not seem likely that most countries will enact laws seeking to eliminate digital currencies altogether. It is far more likely that regulatory regimes will emerge that seek to create a fair and efficient eco-system for an increasingly relevant developing technology. These regulations will likely focus on (i) enhanced disclosure of issuer information to reduce incidents of fraud and provide investors with trustworthy information upon which to make reasoned investment decisions, (ii) increased registration with governmental agencies and securities regulatory authorities to track and monitor the conduct and identity of issuers, exchanges and purchasers/sellers of digital currencies, (iii) enforcement of laws against persons using digital currencies as instruments in criminal activities, with a particular focus on money laundering, illegal currency transfers and use of digital currencies to pay for illicit goods and services and (iv) disclosure of transactions involving digital currencies for purpose of levying taxes.

Recognizing the ever-changing regulatory landscape from country to country, OilCoin is committed to developing a fully legally compliant digital currency to the maximum extent possible.