

# Bitcoiin's response to the Tennessee Dept. of Commerce & Insurance Securities Division's "Alert" about Bitcoiin

Hong Kong, March 27, 2018: Bitcoiin2Gen would like to respond to certain allegations, assertions and accusations that were made against us in the press release of "Tennessee Securities Team Alerts Investors to Internet Crypto Company 'Bitcoiin'" dated March 22, 2018.

Therefore, Our lawyer would like to provide the following information to refute the allegations made against us.

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March 26, 2018

Hon. Julie Mix McPeak  
Tennessee Dept. of Commerce & Insurance  
Securities Division  
500 James Robertson Pkwy.  
Nashville, TN 37243-0565  
[Julie.mcpeak@tn.gov](mailto:Julie.mcpeak@tn.gov)

**RE: Your Securities Division Team Alert dated March 22, 2018**

Dear Ms. McPeak:

The undersigned has been retained by Bitcoin B2G, a business organization domiciled in Hong Kong. The purpose of this letter is to respond to your Tennessee Securities Team Alert, dated March 22, 2018, regarding Bitcoin B2G, also known as Bitcoin Second Generation, and by its website name, i.e., [www.bitcoiin.com](http://www.bitcoiin.com).

We have carefully reviewed your Team Alert, which may be referenced by the following URL: <https://www.tn.gov/commerce/news/2018/3/22/tennessee-securities-team-alerts-investors-to-internet-crypto-company--bitcoiin--.html>.

We also refer you to our response to the New Jersey cease-and-desist order, their Case No. 03-07-2018SEC, which we filed with the New Jersey authorities on March 7, 2018.

We believe you have relied on some factual inaccuracies, and legal misconceptions, in the reasoning and fashioning of your Team Alert. The following is our response to the representations made in your

### **Facts and Circumstances**

Bitcoin B2G, a cryptocurrency operating at [www.bitcoiin.com](http://www.bitcoiin.com), is a utility cryptocurrency, and is in no sense a "security" within the meaning of U.S. law, as stated by the United States Supreme Court, and concurrent advisories issued by the Internal Revenue Service.

Bitcoin B2G was, until 5:00 p.m. today, March 26, 2018, Hong Kong time, selling its cryptocurrencies in an Initial Coin Offering (ICO). That sale closed at close of business today, Hong Kong time, and remains closed permanently. Our ICO discount price of \$5.00 per coin is now

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RE: Bitcoin B2G  
Date: March 26, 2018  
Page: 2 of 6

terminated. This has occurred because, the ICO being fully-funded and closed, Bitcoin B2G is now a market-based, fully-functioning cryptocurrency. Market values are set by the world market. There will be no further ICO, no further offering of cryptocurrencies to the general public. And, accordingly, there is no further reason for your agency to consider Bitcoin B2G as a security—if there ever was such a reason. Our position is that the ICO was never a security. Thus, your Team Alert appears to rest on an easy-to-make, but erroneous assumption, based on an analysis not entirely consistent with federal law. And the ICO has closed, making each Bitcoin B2G a utility token, i.e., an item of personal property.

Secondly, Bitcoin B2G, being domiciled in Hong Kong, is situated well beyond the borders of Tennessee, and also beyond the borders of the United States. Nonetheless, for purposes of this response, and not admitting for a second that your agency has any sort of *in personam* jurisdiction over Bitcoin B2G, we can point to several misconceptions apparently underlying your cease-and-desist order.

And finally, as you know, the inventor of cryptocurrencies, “Satoshi Nakamoto,” is a thinly-veiled anonymous identity. Neither the market leader – original bitcoin – nor many other entities selling cryptocurrencies over the Internet, has identified their owners. We have chosen to identify our business location, which is more than many successful cryptocurrencies have done.

In sum, we hope you will consider the following legal analysis, and then decide to vacate your current Team Alert.

### **Legal and Jurisdictional Issues**

#### **Is Bitcoin B2G a “Security”?**

As we are certain you know, The term “security” is defined in Section 2(a)(36) of the 1940 (federal) Investment Companies Act as follows:

Any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, or participation in any profit-sharing agreement, investment contract, voting-trust certificate, certificate of deposit for a security, fractional interest in oil, gas or other mineral rights, any put, call, straddle, option or privilege on any security (including a certificate of deposit) or any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any

RE: Bitcoin B2G  
Date: March 26, 2018  
Page: 3 of 6

interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

The definition of “security” in the 1933 and 1934 Acts are virtually identical. The courts and SEC have typically taken the position that the definitions in the 1933 and 1934 Acts cover the same instruments.

There are exceptions to this definition. Courts have consistently ruled that chattel paper is not a security. Similarly, courts have ruled that bank certificates of deposit, held by consumers, and paying a stated rate of annual interest, are not securities.

In *SEC v. W.J. Howey Co.* (1946) 328 U.S. 293, the U.S. Supreme Court specified a four-part test for a “security.” Under that test, a “security” must (1) involve an investment by a third party; (2) in a common enterprise; (3) with an expectation of profits; (4) based on the efforts of the promoter or a third party.

**Analysis:** Bitcoin B2G grants no participation in a common enterprise to purchasers of its cryptocurrency. There is no expectation of profits, only an expectation of exchange – of a coin for another coin; of a coin for a fiat currency like a U.S. dollar; of a coin for products or services. And most importantly, the buyer of a Bitcoin B2G has no expectation of profits based on the efforts of the promoter or a third party.

This definitional question may further be refined by focus on the distinction between “security tokens” – tokens representing ownership of an asset, comparable to debt or company stock – and “utility tokens.” Security tokens, sometimes called equity tokens, typically carry voting rights within their respective ecosystems. These tokens, when acquired by investors, carry a promise of return on the work performed by a company; or, similarly, they hold a par value stated at the point of original issuance by the cryptocurrency organizer.

“Utility tokens,” sometimes called app tokens or user tokens, provide users with future access to a product or service. Through utility token ICO’s, startups can raise capital to fund the development of a blockchain project, and users can purchase future access to that service, sometimes at a discount off the price of a finished product, or to use as a purchasing unit to buy goods. These utility tokens can be traded or spent, in exchange for goods and services.

While the day-to-day price of both security tokens and utility tokens may fluctuate, the key difference is that security tokens entitle the holder to ownership rights. Utility tokens function as

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RE: Bitcoin B2G  
Date: March 26, 2018  
Page: 4 of 6

coupons, providing no ownership stake to the holder.

It seems clear that any cryptocurrency, sold as a token with the expectation that it will be used as a unit of exchange (either for other cryptocurrencies, or for *fiat* currencies, or for purchasing goods and/or services), is a **utility token**, not a security token.

#### **Staking Now Terminated**

Bitcoin B2G's website publicized an offer to pay interest on cryptocurrencies held in "staking" software wallets. While offers to pay interest on chattel paper, mortgages, and even pawn shop pledges are made every day, in and outside of the State of Tennessee, this is a moot point – since Bitcoin B2G's "staking" program ended, when the ICO period ended at close of business today, March 26, 2018, Hong Kong time.

The end of our staking program, effective March 26, 2018, also terminated any offer to pay interest on held funds. Accordingly, no offer to pay interest is now operative, and Bitcoin B2G will pay no more interest to any account holder.

#### **Referral Program Now Terminated**

Similarly, Bitcoin B2G's original offer, operative during the ICO period, was to pay referral fees on deposits made for Bitcoin B2G tokens during the ICO period. The ICO period, as has been stressed above, is now terminated. Accordingly, no offer to pay referral fees or percentage commissions is now operative, and Bitcoin B2G will not pay referral fees to any further purchasers of Bitcoin B2G. Such buyers will have to buy Bitcoin B2G on the peer-to-peer global market.

#### **Steven Seagal's Participation Now Ended**

In the same vein, we can advise you that Steven Seagal, the self-disclosed brand ambassador of Bitcoin B2G, was paid a fee for his participation in this cryptocurrency. Mr. Seagal has a privacy interest in the amount of his compensation. Mr. Seagal – as is made expressly clear on the website – does not now, and has never held an ownership interest in Bitcoin B2G.

**JEFFREY D. GOLD**  
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RE: Bitcoin B2G  
Date: March 26, 2018  
Page: 5 of 6

And, as announced on our website [www.bitcoiin.com](http://www.bitcoiin.com) on March 25, 2018, Mr. Seagal's mission as ICO brand ambassador for Bitcoin B2G is now complete. Now that Bitcoin B2G is fully-launched, and the ICO period and offer are closed, Mr. Seagal has no further role in, and no current position or affiliation, with Bitcoin B2G or any company operating on its behalf.

#### **Is Bitcoin B2G “money” or “property”?**

Finally, the United States Internal Revenue Service has made it clear that, for tax purposes, IRS will treat cryptocurrency as **property**, not as money. See: <https://www.irs.gov/newsroom/irs-virtual-currency-guidance>.

**Analysis:** Applied to the ICO offering made by [www.bitcoiin.com](http://www.bitcoiin.com), we see that no promise of passive profits has been made. In fact, [www.bitcoiin.com](http://www.bitcoiin.com) has built a trading exchange, the express purpose of which is to facilitate owners of its currency, and other cryptocurrencies, trading *fiat* currencies and cryptocurrencies back and forth.

And we may ask what a depositor in the Bitcoin B2G exchange gets in exchange for their money. The answer is clearly property – a token, a unit of cryptocurrency, valued by the market. One might just as well be trading American Eagle gold dollars, or other metal coinage.

Thus, we may conclude that the individual who buys Bitcoin B2G on the [www.bitcoiin.com](http://www.bitcoiin.com) exchange is **not buying a security token, but a utility token**. If that individual is not buying a security, then it would be hard to argue that any interest purchased or traded on [www.bitcoiin.com](http://www.bitcoiin.com) is a “security” within the SEC definition.

As a consequence, our analysis concludes that no product or service offered by [www.bitcoiin.com](http://www.bitcoiin.com) would be subject to any regulation, registration or other agency action by the United States Securities Exchange Commission. Nor, barring some inconsistency between Tennessee and U.S. law, should Bitcoin B2G fall within the definition of a “security” under the laws of Tennessee.

#### **Conclusion**

We believe, based on the authorities and reasoning stated above, that Bitcoin B2G is not a security, and thus not the proper subject of any regulatory action by the State of Tennessee. Accordingly, we request your agency vacate the current Team Alert, take it down off your agency's website, and refrain from further publicizing it.

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RE: Bitcoin B2G  
Date: March 26, 2018  
Page: 6 of 6

Your prompt attention is appreciated. Please address all further correspondence on this matter to the undersigned.

Respectfully submitted,

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Attorney at Law

JDG/rwe

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## ABOUT BITCOIIN2GEN (B2G)

The inspiration of Bitcoiin 2Gen, is to make a superior or more advanced version of Original Bitcoin: A Peer-to-Peer Electronic Cash System, was published in 2008 by Satoshi Nakamoto.

Therefore the next generation of Bitcoin, Bitcoiin 2Gen, proposing a self-sustaining cryptocurrency i.e. B2G , is the complete coin as it provides at launch its own eco-system, its own wallet, its own mining machines and the ability to exchange the coin to popular alt coins or FIAT currencies. Bitcoiin 2Gen uses Ethereum blockchain which is safer and faster blockchain than the Bitcoin's blockchain.

Cryptocurrencies like Bitcoin are revolutionising the \$1.8 trillion global payments industry and people around the world are rethinking the meaning of their money. Moreover, the underlying technology and network that process Bitcoin transactions, known as blockchain, is transforming industries as varied as finance, banking, healthcare, farming, logistics, insurance, retail, construction and manufacturing, to name a few.

Bitcoiin 2Gen, will in fact address current issues that are slowing down the Bitcoin eco-system and the limited opportunity for the enthusiasts to be able to earn by mining either with 1 machine or 1000. The original Bitcoin has already been exhausted because of its longer transactions time, big transactions fees, less earnings to miners , outreach from the common people and most important its core system , the blockchain itself.

As per the original Bitcoin, we also strongly believe in complete anonymity, as the whole basis of the original white paper "Bitcoin: A Peer-to-Peer Electronic Cash System" by Satoshi Nakamoto. Anonymity in cryptocurrencies is a matter of not just personal privacy, but also Confidentiality.



Bitcoiin2Gen (B2G)newsroom