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Pentasquad will do its best to launch its operations.

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(e) you agree to be bound by the limitations and restrictions described herein;

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Abstract

"Great engineering is the art of intelligent compromise" - Dan Watts

The release of Bitcoin and the blockchain technology that powers it has ushered in an exciting new era for digital currencies and distributed computing,seemingly bringing into existence what many had thought impossible; a thrustless decentralised currency. However, like many great inventions in the past, this progress was achieved not by breaking any rules of nature or limitations that people imagined stood in the way, but rather by taking a long hard look at the requirements and then coming up with a clever new compromise.

Most inventions of any significance contain many compromises and Bitcoin is no exception, as with most ground-breaking new systems, it would be naive and unrealistic to expect that the first iteration would get everything 100% right. It stands to reason that there is room for improvement.

It has been over 8 years since Bitcoin burst onto the scene and numerous competitors have since come and gone, some of them bringing some minor improvements to the table, but overall very little meaningful progress has been achieved in core areas. It is my belief that a sober and proper reflection on the current shortcomings, as well as real solutions to some of them are necessary, or

this promising new technology may easily falter while still in its infancy. This article attempts to pinpoint what I believe are the shortfalls and compromises

of current blockchain technology, and analyse them in search of ways to improve the system, with the goal of implementing these improvements in our virtual currency Bahiti.

2. Introduction to the blockchain

The blockchain represents, to date, the best (partial) solution to a very complex problem known in computer science as trust less distributed consensus.

Perfect trust less distributed consensus would be the ability for multiple computers to agree on and keep record of an order of events/information, in a
manner that is permanent (cannot be tampered with or forged after the fact) but without having a central authority in the system that decides on or controls
this order, where all peers in the system are essentially equal and none of them
have any special control over the system.

The blockchain is not a perfect trust less distributed system, but it is a trust less
distributed system. It achieves this compromise by relaxing one of the criteria
slightly, namely instead of history being 100% incorruptible/unforgeable it settles instead for a history that would be incredibly difficult to tamper with

or forge with the assumption that when applied to a monetary system this requirement is sufficient. I will touch more on this later in the paper, first I want to focus on the great benefits that this allows:

1. No centralized point of failure, there is no single piece of infrastructure that can be taken down that can cause an interruption of service or a loss of history. Traditional alternatives are very susceptible to this, and we have seen numerous cases in history of banks losing peoples transaction history or e.g. of the Visa network going down and being temporarily unusable.
2. No centralized control, nobody can control the network and tell it what to do, everyone must play by the same rules. This eliminated the possibility for corruption and embezzlement that has plagued the banking industry in the past.
3. No oversight required – In most countries today it is not possible to open a new bank or payment service without complying to mountains of legal requirements and oversight from government, and not without good reason. Without such oversight the central authority can easily make off with everyone's money. Due to (1) and (2), a blockchain based service bypasses the need for all this legislation, allowing for services to be rolled out internationally, faster and cheaper.

While blockchains are certainly not limited to payment systems, or currencies, and there has been of late many attempts to use the same

concept for numerous other use cases, this paper is written from the perspective of Bahiti a digital currency and therefore everything that follows is in the specific context of decentralised virtual currencies and specifically Bahiti, and should therefore be read as such.

3. What is the purpose of the project?

The purpose of the project is to launch a new coin based on Script algorithm that will present a new form of investment, available for everybody, that is easy to obtain. Crypto coins have had a great growth in the last years, even greater than stocks and bonds and are easy to cash out. Crypto coins are still underdeveloped and in time they will become part of our day to day lives thus increasing the price. Even more, cryptocurrencies are not dependant on the usual industries and their fluctuations. When the fiat currency drops in price, crypto coins grow in price due to the fact that you can get more from the same coin.

4. What are the benefits?

The coin is based on the Script algorithm. It stands out due to the fact that its more energy efficient compared to other algorithms. Due to this fact, the miner keeps more of his revenue.

Script is a derivate algorithm based on SHA -256 that uses not only GPU but RAM as well. Because of this, if you save passwords in the blockchain, it’s harder to hack because i it doubles the work necessary. Because of this, the work outweighs the benefits.

The algorithm was released in 2009 and it was advertised as ASIC resistant algorithm but in time there have been several devices released that have passed this resistance and have been optimised to give the best hash/power efficiency increasing the profitability of the miners.

We understand that mining can be a challenge because of the technical skills required. Even harder to create mining pools. To improve the community, we offer help to the miners that want to mine our coin or just need a helping hand in creating their own pools. The start may seem hard but we will give you a helping hand.

We will provide tutorials to give you a start in creating wallets, pools and how to set up a mining rig.

Because Scrypt algorithm is derived from Sha-256 it is fairly easy to understand. The main difference is in the fact that it is uses less electricity and it uses RAM and GPU and because of this it tends to be more use friendly and reliable, benefiting from the experience of the original blockchain developer.

5. What guarantee do the investors have?

Trust is the most important thing to consider before making an investment. One of the most important guarantees for this project is the fact that we will organize a buyback for the coins if the prices stays consistently under the initial price. If the price raises over the initial price but then goes under its

initial price, then this is the market going up and down and we cannot take responsibility for that. The buyback will last 30 days and it will be launched on the 2dn of May. In those 6 months we will focus on the price of the coin to keep it over the initial price and the funds for the buyback will be provided partly from other projects of Pentasquad and partly by liquidating the assets of this project. This way we take part of the risk from the investors so it will be a safer investment.

6. What makes this project stand out?

We take part of the risk for the investors and because of this we are unique on the market. At the same time the fact that we built a mining pool has taught us what is important for the miner, how the difficulty works and the back-end of cryptocoins. This helps us know how to promote the coin, how it will interact with an exchange and what gets the most results. The buy-back proposition together with the experience from the pool gives us an edge over other projects.

7. How is the budget allocated?

Budget
20 % Servers and hardware
20 % Production costs
25 % Companies expenses
20% Marketing budget
15% Founders Fee

8. Why blockchain?

Blockchain technology allows anyone to upload a program and it will self-execute without other modifications or management. If any changes to the program appear, these are publicly recorded in the blockchain and because of this, the security is increased through transparency. This offers a guarantee towards the effects of the program uploaded and they will self-execute following the protocols of the blockchain.

To put it simply, a blockchain is a public ledger that records chronologically all transactions and modifications.

But the best part of the blockchain is its decentralized nature. This affords the users a greater security thus giving a better alternative to the traditional banking system by reducing risks and costs. These types of contracts regulate themselves through the blockchain.

The blockchain technology has developed a lot from its infancy in 2008 but it has still a great amount of potential unachieved. Promoting a new coin offers an opportunity for traders and investors to diversify their portfolios and it increases the competitivity of cryptocoins, thus increasing the value of the market itself.

9. Why Scrypt?

The algorithm includes the following parameters:

- Passphrase - The string of characters to be hashed.
- Salt - A string of characters that modifies the hash to protect against Rainbow table attacks
- N - CPU/memory cost parameter.
- p - Parallelization parameter; a positive integer satisfying $p \leq (2^{32} - 1) * hLen / MFLen$.
- dkLen - Intended output length in octets of the derived key; a positive integer satisfying $dkLen \leq (2^{32} - 1) * hLen$.

- r - The blocksize parameter, which fine-tunes sequential memory read size and performance. 8 is commonly used.
- hLen - The length in octets of the hash function (32 for SHA256).
- MFlen - The length in octets of the output of the mixing function (*SMix* below). Defined as r * 128 in RFC7914.

Function scrypt

Inputs:

Passphrase: Bytes string of characters to be hashed

Salt: Bytes random salt

CostFactor (N): Integer CPU/memory cost parameter

BlockSizeFactor (r): Integer blocksize parameter (8 is commonly used)

ParallelizationFactor (p): Integer *Parallelization parameter. (1..2^{32}-1 * hLen/MFlen)*

DesiredKeyLen: Integer Desired key length in bytes

Output:

DerivedKey: Bytes array of bytes, DesiredKeyLen long

Step 1. Generate expensive salt

blockSize ← 128*BlockSizeFactor //Length (in bytes) of the SMix mixing function output (e.g. 128*8 = 1024 bytes)

Use PBKDF2 to generate initial 128*BlockSizeFactor*p bytes of data (e.g. 128*8*3 = 3072 bytes)

Treat the result as an array of *p* elements, each entry being *blocksize* bytes (e.g. 3 elements, each 1024 bytes)

$[B_0...B_{p-1}] \leftarrow PBKDF2_{HMAC\text{-}SHA256}(Passphrase, Salt, 1, blockSize*ParallelizationFactor)$

Mix each block in **B** $2^{CostFactor}$ times using **ROMix** function (each block can be mixed in parallel)

```
for i ← 0 to p-1 do
    Bi ← ROMix(Bi, 2^CostFactor)
```

All the elements of B is our new "expensive" salt

expensiveSalt ← $B_0 \| B_1 \| B_2 \| \ldots \| B_{p-1}$ *//where ‖ is concatenation*

Step 2. Use PBKDF2 to generate the desired number of bytes, but using the expensive salt we just generated

```
return PBKDF2HMAC-SHA256(Passphrase, expensiveSalt, 1, DesiredKeyLen);
```

Where *PBKDF2(P, S, c, dkLen)* notation is defined in RFC 2898, where c is an iteration count.

This notation is used by RFC 7914 for specifying a usage of PBKDF2 with c = 1.

Function ROMix(Block, Iterations)

Create *Iterations* copies of *X*

X ← Block

for i ← 0 **to** Iterations−1 **do**

V_i ← X

X ← BlockMix(X)

for i ← 0 **to** Iterations−1 **do**

j ← Integerify(X) mod Iterations

X ← BlockMix(X **xor** V_j)

return X

Where RFC 7914 defines *Integerify(X)* as the result of interpreting the last 64 bytes of X as a *little-endian* integer A_1.

Since Iterations equals 2 to the power of N, only the *first* Ceiling(N / 8) bytes among the *last* 64 bytes of X, interpreted as a *little-endian* integer A_2, are actually needed to compute *Integerify(X) mod Iterations* = A_1 *mod Iterations* = A_2 *mod Iterations*.

Function BlockMix(B):

The block B is r 128-byte chunks (which is equivalent of 2r 64-byte chunks)

r ← Length(B) / 128;

Treat B as an array of 2r 64-byte chuncks

$[B_0 ... B_{2r-1}] \leftarrow B$

$X \leftarrow B_{2r-1}$

for i ← 0 **to** 2r−1 **do**

X ← Salsa20/8(X xor B_i) **//Salsa20/8 hashes from 64-bytes to 64-bytes**

$Y_i \leftarrow X$

return ← $Y_0 \| Y_2 \| ... \| Y_{2r-2} \| Y_1 \| Y_3 \| ... \| Y_{2r-1}$

Where *Salsa20/8* is the 8-round version of Salsa20.

10. Scrypt vs Sha-256

The two most common algorithm's used in cryptocurrency are SHA-256 and Scrypt used by miners for the authentication of the block transaction data. This is set by the developers and not by miners. There is a debate about what algorithm is best, arguments being thrown for both types.

Before explaining the algorithms, we should clarify some information.

KH/s: Kilohashes per second, or one thousand hash computations per second
MH/s: Megahashes per second, or one million hash computations per second
GH/s: Gigahashes per second, or one billion hash computations per second
TH/s: Terrahashes per second, or one trillion hash computations per second
PH/s: Petahashes per second, or one quadrillion hash computations per second
Once the GH/s numbers are discussed, we are speaking of specialised machinery dedicated to mining that prohibit regular miners from using them such as ASIC's with dedicated chipsets.

Once we are talking about higher hash rates, we are also talking about increased difficulty that affects mining costs. This highlights the main difference between the SHA-256 and Scrypt cryptocurrency mining algorithms. . Successful mining of coins using SHA-256 often requires hash

rates at the gigahashes per second (GH/s) range or higher; this means it's generally more difficult for individual miners to use; those who do often employ an ASIC or some other separate computing device set up to perform only mining tasks. Since some miners can't devote a machine—or at least an ASIC—to the task of mining, they often join mining pools.

Scrypt is faster and is used more widespread for emerging cryptocoins. It is also easier to run on current machines. Because it incorporates GPU and RAM mining, it is used more by individual miners and it uses less energies. Without ASIC's the usually hashrate for type of algorithm is usually in the KH/s range but if you want to go higher you must get an ASIC.

11.Is the project tested?

The project has been tested with rented miners on a private server. We have not encountered problems with hashrates of up to 1Gh/s. We can guarantee that the mining has not encountered any problems.

12. Who invests?

When creating this project through crowdfunding we wished to get involved as many small investors as possible to help diversify the cryptocoin market. Through this project, anyone can become a trader or investor depending on his preferences or if he already is a trader, it allows him to diversify his portfolio and thus reduces the risks involved. Due to the fact that we take on part of the risk through our buyback option, this investment is safer than

most and it allows an investor to store his money in a safer way in a virtual environment.

One of the purposes of this project is to help as many people to start investing in cryptocoins to increase the value of the market itself.

13. What do investors want?

The investors want the return of their investment as soon as possible with the biggest profit as possible. Though we cannot guarantee 100% the profit of the investment but we have increased the odds of the returning the investment by offering the buyback. Using our calculations, we have estimated that the coin will increase its value to about 50 cents from 9 cents by having 1Gh/s hashrate mining on it. Due to the lower requirement of hashrate for the price increase from the original price there is a good chance that it will increase its value.

14. Who is the team?

Each of us comes from a different background and because of this we have a good mix of abilities. Mihai Candet (Mike) comes from an entrepreneurial background and he has received a number of local nominees for his work in the field. He is passionate about IT especially code and web design and because of this he built the business from the ground up. Florin Ficau is

passionate about photography and graphic design. He likes emotions and loves to share those emotions through his work. Marian Mocanu is passionate about programming and he is main force behind the mining pool and the cryptocoin. Bogdan Costras comes from a customer care background and because of this he has achieved a great understanding of the customers' needs and a patience to match. Prodan Razvan comes from an economical background, having the formal and informal education to understand the way an economical phenomenon affects the business.

We are a group of young men, passionate about business and in time we have achieved a good understanding of the crypto environment and we wish to start a business around it because we believe in the potential that it has.

15. Why should investors trust us?

We are passionate about the field of cryptocoins and we have had our fair share of problems along the way. Each day we solved them and learned in the meantime, always improving ourselves and always wishing for more. We are not perfect by all means but we have the determination to get through the hardships and win. Having the experience from Maupool we have obtained abilities not from theory but from practice.

16. Why will the coin grow?

The price of a cryptocoin is based on the following:

- Supply and demand

As with any good, cryptocoins are affected by the supply-demand phenomenon. The more the coin is used, the more its demand increases and because there is a limited supply of available coins in the market, the prices goes up as well. The maximum limit of Bahiti coins that will be available on the market is 100,000,000. Taking this into account our main concern will be to increase the demand of the coin, thus increasing the price.

- Utility of the coin

The more used the coin is, the more credibility it gets thus it will increase in price. In time the coin must be integrated in the normal economical ecosystem so that it becomes a part of day to day lives of the people. This is our second priority but it is close nit with our first one due to the fact that one affects the other closely.

- Costs of production

A less important factor in the determination of the price of the coin is the cost associated with the production of the coin. Considering that the more the coin is mined the more the difficulty grows, although at the start the coin will have a small value, as time goes by it will increase in value. Due to this fact the best time to invest in the coin is now, before the difficulty grows.

- Fiat value

Cryptocoins have a reverse relationship with fiat value. When standard currencies go down in value, cryptocurrency value goes up due to the fact that you get more dollars for example for each Bahiti coin.

By understanding the relationship of the coin with the environment that it works in we have a set of priorities that we must implement after the crowdfunding so that it will increase its value in time.

17. What is the liquidity of the coin?

To increase the liquidity of the coin we have already started working on an exchange so that we will create liquidity. In time we will talk with other exchanges so that the coin will be available for trade on as many places as possible.

The coins will be delivered to the owners at the end of the crowdfunding campaign to prevent mining before the official release.