

Unconquered Horizons

Newsletter 05 - February, 2014

If you missed our earlier newsletters you can find them at <u>invictus-innovations.com/news/</u>. You can get all the real-time breaking news on the forum at <u>bitsharestalk.org</u> and Invictus.io. This newsletter focuses on *strategic* news - what's on tap for the coming months.



Appearing in Miami for the first time with the BitShares Babes, we have from the left: Chong "Amazon" Wang, Greg Wexler, Brian Page, Bo Shen, Dan Larimer, Stan Larimer and Arlen del Castillo.

Explosive Growth

To achieve our mission as a champion of freedom and global decentralization, Invictus needed to grow. This is, of course, also important to every holder of BitShares PTS (formerly called protoshares) who recognize that the value of PTS depends on our ability to develop and proliferate more crypto-equities



that honor PTS holders with a share in their profits. That takes lots of funding, and to that end we launched BitShares AGS (a.k.a. angel shares). It has been amazingly successful raising nearly \$2 million in the first month alone. This will make many things possible!

Since the funds raised through AGS are denominated in BTC and PTS, we are highly motivated to grow the the value of the industry in general and PTS in particular. This month we look at all the things Invictus is doing to toward that end. Our department heads have PTS value growth as an overarching objective and you will hear from each of them. As you will see, we are ramping up very aggressively from our launch of PTS only three months ago today. This will continue to accelerate in the months ahead.

Marketing Perspective

by Brian Page, Director of Marketing



A lot has happened in the marketing department since I came on board full time January 1. One of the first things I focused on early was creating distinct brands. We created logos for BitShares, BitSharesPTS, BitSharesAGS and Keyhotee along with slogans such as "Own Your Identity" and "Reimagine Everything." In addition, we revamped the website with a new look and moved it over to invictus.io. This site will soon be upgraded again and moved to bitshares.org, which will be our primary and permanent site.

Secondly, much of the month was spent preparing for our big event in Miami at the North American Bitcoin Conference where we were the evening reception sponsor. After the last speaker was finished, all 1,100+ people were invited to join us for a cocktail mixer. Before the event we created over a dozen

different BitShares branded items and we gave them away in our promo contest. We also gave away PTS for those who won them on our prize wheel and ended up signing up dozens of new people to download the PTS wallet and start using BitSharesPTS. We saw donations of PTS to the AGS account increase by over 1,000 PTS the same day.



Another focus this month was social media, which we got up and running with official accounts on Facebook, Twitter, and Linked In. We've begun to merge several existing pages on Facebook into one BitShares official page. We're going to be expanding to several other social media sites and updating all of them daily as well as expanding the number of followers on each site.

A new thing we decided to start doing is our own events, with our first on the calendar for July 18-20 (AGS Day 200). Its called Beyond Bitcoin and it will be in Las Vegas. It'll will be the first event we know of to be focused not on Bitcoin but on the technologies that come as a result of Bitcoin — not the least of which is DACs and technologies we're working on here at Invictus. We'll have some exciting things to announce with that project soon and will have a full website up for it by the end of February.

Keep your eyes out this month for some top shelf videos that are currently in production as well as mainstream media articles from The Economist, Wired Magazine, and Scientific Magazine, who've all requested to interview Dan this month. We have a comprehensive public relations plan going into effect in February to get us even more exposure in the mainstream media. Many of the other plans in the works will be announced as they're released.

Much of my time in Jan was spent playing "catch up" to get preliminary marketing up and running until a more permanent plan could be implemented. I now have a marketing plan with nine distinct channels that will all work together to help give BitShares much higher visibility. I'm extremely thrilled to be a part of this team and to be working with the brightest and most innovative minds in the industry. The team is working efficiently together and energized by what's been realized so far.

Thank you for everyone who's been helping behind the scenes from the forum, I couldn't have done it without your help. It's been a whirlwind month for sure, but I'm anticipating much bigger things in the future as we bring BitShares to the world. Bigger than Bitcoin in 2014!

Friendly Competition

While we were in Miami, Dan had a chance to participate in a discussion panel with two of the other industry leaders. The panel was notable for its friendly nature and the ways in which these companies are working together to grow the industry. The major point Dan emphasized was the need to design these crypto-equities to be *profitable*. To the extent you can reduce or eliminate the cost of mining you can make your unmanned companies more competitive than those that don't. This simplifies the cost, complexity, and interdependence of DACs by avoiding the need for *one chain to rule them all*. The studio audience had promised to be quiet, but at one point everyone broke out in applause in response to Dan's impassioned 2-minute vision of the future (at 1:03:28).



Ethereum, Mastercoin, and BitShares core developers on LetsTalkBitcoin https://www.youtube.com/watch?v=w-9miCOsg4g&feature=youtu.be

Bleeding Edge Perspective

by Daniel Larimer, Founder and CEO, America



Shortly after the first alpha release of Keyhotee I informed the community that I would be delegating all Keyhotee tasks to Dan Notestein so I could focus the vast majority of my time to the development of the BitShares Bank and Exchange. Thanks to the efforts of our marketing team it has been rebranded BitShares X. Since then BitShares X has made tremendous progress complete with some basic alpha testing with volunteers in the forum. After hearing a desire for a rapid release from the forum, we have focused on producing a minimal viable product to be launched in early March which will be dubbed BitShares XT because it will be a Test chain.

There have been many changes in how BitShares X works as we are also learning as we go. If you saw the panel discussion with Mastercoin and Ethereum then you probably heard me mention that we would be using Ripple-style consensus algorithm rather than mining. It turns out that such an algorithm while viable and possible to implement was given a lot of pushback because it is too centralized. The consensus algorithm lacked any compensation for the nodes participating in the consensus process and in fact the resource requirements would grow dramatically as you add new nodes to the consensus process. We have opted to revert to a design based upon the paper I produced in November 2013 titled Transactions as Proof of Stake (TaPOS) with a few small enhancements. As a result of this change we have reintroduced mining into the BitShares ecosystem!

I have spent much of the past two months railing against mining as waisting resources and ultimately resulting in centralization. I still believe that pure proof-of-work systems will result in centralization and so the mining we are doing with BitShares X must be materially different than mining found in other crypto-chains. What makes BitShares X mining different is the following:

- 0) Proof of work does not give any measure of security, it merely elects someone to produce a block.
- 1) Every block must destroy a minimum number of coin days (proof of stake).
- 2) Every transaction in the system participates in securing the network.
- 3) Hidden forks cannot be built using the coin days from the public chain.
- 4) Chain forks longer than 1 block are never propagated automatically.
- 5) The block chain with the most coin days destroyed wins
- 6) Transaction fees are split between dividends and miners proportional to coin days destroyed.

What this means is that a miner cannot collect any fees without including transactions and they only collect fees proportional to how many coin days they contributed from their own wallet vs everyone else. With high transaction volumes the mining reward will be relatively small compared to the dividends. In this way we stick to our economic philosophy of minimizing expenses and maximizing revenues. The mining rewards are only distributed among existing shareholders proportional to the balance in their wallet; therefore, if all shareholders participated equally in mining then the economic result would be little different than if 100% of transaction fees had be paid as dividends.

By default every wallet with a balance will mine using an imperceptible fraction of CPU power whenever there are enough coin days to produce a block. This should make it unprofitable to mine as a business and mining pools are not viable unless everyone trusts the pool operator with their money.

February 28 AGS and PTS Snapshot. Mark your calendars, on February 28th, 2014 the last BTC and PTS blocks found on that date will be used to calculate the initial balances of the BitShares XT chain which has the potential to become a fully viable non-test chain if it manages to survive SICDS (Sudden Instant Chain Death Syndrome) as a result of undiscovered bugs. In other words, BitShares XT is a full up dress rehearsal and its launch must be treated as any other official launch.

What this means for you is that you must make sure your PTS is held in your local wallet and that you control your private keys before the stroke of midnight GMT on February 28th. In the event the BitShares XT completely fails beyond the ability to correct with relatively minor hardforks, then a new snapshot will be announced and we will launch another chain. The definition of failure will be determined by the market which may or may not continue to value BitShares XT in spite of whatever flaws may be found.

In other words, it is not advisable to sell your PTS after the snapshot because in addition to providing you a cut in every future BitShares X chain and a dozen other DACs that we have on our roadmap, they will provide you *insurance against early failure and bugs found in BitShares XT*.

Once we have taken the snap shot, we will take what ever time is necessary to prepare the chain for launch which we expect to be before the Ides of March. As always, time tables are subject to change due unforeseen development challenges. If we are unable to launch a chain in March due to unexpected delays then a new snapshot date will be announced.

The decision to launch BitShares XT as early as we have is based upon a desire to maximize our first mover advantage and comes at the expense of additional pre-release testing. Fortunately everyone retains their AGS and PTS and thus has everything to gain from an early release and little to lose.

Keyhotee Perspective

by Dan Notestein, Keyhotee Product Manager



The Keyhotee Team is decentralized across Invictus partners in Virginia and Poland. We've released two Keyhotee alpha releases in January, with a third alpha targeted for the beginning of February. The



first alpha targeted basic email support and Keyhotee Founder ID registration, the second alpha was primarily aimed at fixes issues in profile creation discovered during the first alpha release and simplifying the process of determining if a Founder ID is properly registered, and the third alpha is mainly aimed at enabling Linux users to register their Keyhotee ID without compiling a Linux version from source. We plan to release an OSX (Mac) binary shortly after the Linux binary is available. We will also release a new Windows version, so that Windows testers can test the latest code.

After the alpha 3 release, we plan to add several new major features for a mid-February release: 1) sending contact records to other users, 2) sending to public keys that aren't listed in one's contact database, 3) profile database versioning to enable users to keep existing contacts, messages, etc. when upgrading to newer versions of Keyhotee even when the format of these records changes, 4) improved handling of attachments/images in emails, and 5) compression of email and instant messages. There will be a lot more features added under the hood, but most won't be enabled/visible in the alpha 4 release.

If you haven't registered your Keyhotee Founder ID yet, don't panic, there's still plenty of time! Currently, a little over half of the Keyhotee Founder IDs have been registered with a public key. We expect many more of you will be registering once pre-built binaries are available for Linux and OSX, so another task we have to take on soon is to create a program to generate the Keyhotee genesis block from the founder IDs we're collecting via the Keyhotee client and the Keyhotee Founder Web form.

BitShares is Just the Beginning

by Arlen del Castillo, VP Software Development, @bitArlen





Recently it's been an every day occurrence that someone stops me to have a conversation about crypto-currency and wants to know how it all works. I get every kind of response you can think of but plenty of those conversations have led to the other person asking about the company I'm helping to build and our much anticipated software, BitShares.

I met Invictus Innovations CEO Daniel Larimer at the recent Inside Bitcoin conference in Las Vegas and over next month we found the best way for me to invest my resources. It is now my job to deliver the BitShares software that we

believe will fundamentally change the world. I am Arlen, and I'm honored to introduce myself to the crypto-currency space as the newest member of the Invictus family. It was a great pleasure meeting many of you at the Bitcoin North America Conference in Miami Beach last month and I will surely to keep in touch with the friends I've made since joining the crypto-currency community.

Invictus will soon release BitSharesX, resulting in the world's first decentralized bank and exchange on a blockchain. We will also stand up the first decentralized autonomous companies (DACs), which are purely digital for-profit companies publicly traded on a blockchain. The DAC concept was originally conceived by Invictus founders Stanley and Daniel Larimer and will be brought to fruition in 2014 by the very talented software development team I am striving to build. We are recruiting worldwide for developers, so <u>contact us</u> if you are interested in coding the future economy full-time, part time, or on a task-by-task casual basis as a C++ developer for Invictus. Our growing team is working to create new, purely-digital companies and we need your programming talent and creative ideas for these future DACs to sow and grow the new decentralized economy. I encourage you give thoughtful consideration to working full time and investing, doubling your efforts as I do, in building the new economic paradigm. I hope many of you reading this in all the countries of the world will join me in coding the future economy.

The decentralization movement of BitShares will be celebrated around the world for it's unique ability to financially liberate citizens in countries who are economically oppressed by their banking systems, and their governments who collude to commit callous and <u>treasonous acts</u> of fraud and abuse. BitShares is unifying in that it bands together conservatives, liberals, and moderates by embodying honorable tenets of liberty, peace, and the pursuit of prosperity in the software's function. BitShares is truly for everyone.

We've seen many successful entrepreneurs and venture capitalists study up on crypto-currency and join "the space", and we welcome them all! They bring irreplaceable business acumen, critical financial resources, and leadership that the space needs. What I want the world to know is with BitShares, you don't need venture capital amounts of wealth to save, invest, create wealth, and build a business in the new economy. BitShares offers an opportunity for the working poor and the middle class to profitably benefit as well. The entrepreneurs, VCs who choose to use BitShares, will literally benefit the savers and traders regardless of how much wealth one has. Any size stake in BitShares benefits everyone symbiotically. Those suffering under a regime that rewards itself at the expense of its citizens will

benefit immensely from a decentralized crypto-equities exchange. Citizens disenfranchised by a legislature too corrupt and divided will praise BitShares for it's integrity and it's remarkable profitability. BitShares will bring greater liberty, economic freedom, and profitability to a world in need of profit-incentivized, free market solutions to local, regional, and global problems. I am excited for the future economy, and BitShares is just the beginning! Join us in supporting this effort in anyway you can, whether you're a developer, saver, or trader.

To my friends in the East: I am excited that you have greatly supported the development of BitShares by spreading the word and championing BitShares PTS. I learned from many of you, and heard praise from our China CEO, Bo Shen, that you truly understand the promise of DACs and the benefit decentralization will bring to the world. Thank you for your leadership in the future economy. China and Asia will be embraced; I look forward to your developers building the DACs the future decentralized economy. <u>Contact us</u> to get started!

I look forward to building the new digital economy and making many new friends along the way. I wish many blessings to all of you. Onward to decentralization!

Asian Perspective

by Bo Shen, Executive Director and CEO, Asia

We are pleased to have 5000+ wonderful Chinese early adaptors in our community. The BitShares crypto-equity ecosystem would not experiencing robust growth without your involvement and support. Our Evangelists have traveled to Beijing, Shanghai and Hangzhou to participate in those meet-ups, and will continue to do so by visiting other cities with full support of Chinese Bitcoin community.



In order to provide better service and bring more Chinese-friendly products and service, please join us



and work more closely with us. We are looking for talent in development, marketing and service.

As you will read below, we are a DAC incubator. One of our main strategies for growth is to help entrepreneurs to build own successful business with our initial funding and support on all aspects. Any suggestions and comments is warmly welcome and much appreciated!

Finance and Accounting Perspective

Dr. Charles Evans and Angelina Pluzhnyk



This month we are joined by our new Chief Financial Officer (CFO), Dr. Charles Evans and our Corporate Accountant, Angelina Pluzhnyk. These two will work together to help position Invictus to be a) compliant with the laws and regulations of all jurisdictions in which we operate, and b) structured as a company to take advantage of other, more favorable jurisdictions where that makes sense.

They will also focus on teaching crypto-equity savvy finance and accounting practices throughout the BitShares ecosystem from their base of operations in the Miami Bitcoin community. Angelina has strong ties to Russia and Ukraine while Charles is well known for his advocacy of Miami as an ideal financial interface point for assisting crypto-equity start-ups in the countries of the Caribbean, Central and South America.

Charles says, "As a brand-new addition to the family, my time right now is spent getting spun up on the underlying technology and relevant regulatory climate in the USA and in other major markets. As a measure of my excitement about the potential of BitShares, I am leaving full-time academia to devote my energy to this new Moneypunk 2.0 world."

A Company that Spawns Companies that Spawn Companies Stan Larimer, President and COO



As you can see from the activities above, Invictus is serious about decentralizing the crypto-equity industry itself, not just our flagship products. While we have been obviously hiring key staff internally, we are just as likely to employ contractors, consultants, bounty hunters and partner companies in our quest to revolutionize the tools of freedom. And we want to incubate more new partners!

Given our mission to *decentralize everything* and our commitment grow value for BitShares PTS and AGS holders, it doesn't make sense for us to remain the

sole mechanism for releasing unmanned companies into the wild. We want to spawn other companies who are willing to honor the contributions of our PTS/AGS patrons and therefore motivate still more patrons to help grow this revolutionary industry. We want to get some other developers started so they work independently and in parallel with our efforts. And we want to avoid becoming a central point of failure and a vector of attack on the decentralization movement.

In the next 18 months, every ecological niche will be filled with new crypto-equities – unmanned businesses we call Decentralized Autonomous Companies (DACs). We expect a *Cambrian Explosion* of new digital life forms. That was certainly the message of many presentations at the January North American Bitcoin Conference in Miami.

What can we do to help facilitate that growth in a way that honors the contributions of those that hold BitShares PTS and AGS? One way is to help launch new DAC developers.

The idea of a company that serves as an incubator for new companies is not new. But as far as we know, Invictus Innovations may be the first incubator of incubators. DAC incubators.

Shark Tank Model. Given our crypto-Austrian view of economics, there's naturally got to be a competition! We are considering the popular TV show *Shark Tank* as a model (<u>http://www.cnbc.com/id/101229255</u>).

Bring us your business plan, win the hearts and minds of our community, and get past the industry leaders on our Panel of Judges at our Las Vegas *Beyond Bitcoin Summit* and you could win our support in incubating your new company. What's that include? Well, there are many things we could provide depending upon the nature of the help your new start-up may need. For example:



- A stipend to work in one of our incubators for a period of time.
- The legal fees to set up your company in its chosen favorable jurisdiction.
- Fully equipped office space at one of our incubator sites.
- Forum and web site support while you build you own base of supporters.
- Crypto-savvy legal, accounting, financial and tax support.
- Use of our trusted escrow services while you are building your own reputation.
- Consulting with Dan "bytemaster" Larimer and our team of innovators.
- Help with finding opportunities to speak at a major conference.
- Promotional support integrated with our own global marketing campaign.

Whether such a plan will work or not depends on the quality and number of startup candidates we can find that would be interested in participating in such a competition. We mention it here as but a trial balloon, to see what kind of response their may be. Let us know what you think!

Here are some of the judging criteria that might apply. What others have we missed?

- 1. Business model. How does your DAC make money for its shareholders?
- 2. Technical approach. What are the underlying technologies you will use?
- 3. Regulatory environment. Have you selected a favorable legal jurisdiction?
- 4. Team Qualifications. Does your proposed company have what it takes to succeed?
- 5. *Diversity*. Does your company bring participation from other regions of the globe.
- 6. *Popularity*. How much donation-backed grass-roots support do you have?

The competition might have room for, say, five finalists who would compete in our own shark tank. Your first task would be to earn the right to become one of those finalists. Here is how to start:

- 1. Start a discussion thread in our forum where you explain your idea to everyone.
- 2. Commit to honor the BitShares Social Contract as your first posting there.
- 3. Explain your qualifications, resources and the kind of start-up help you are seeking.
- 4. Submit a synopsis (2000 words max) as a .pdf file published in your forum thread.
- 5. Be chosen as a finalist by our "shark tank" Panel of Judges.

If you were chosen as a finalist, we can help set up an "angel shares" style escrow account for you to receive donations from patrons who believe in your idea and want to capture an early stake in it. It would be *up to you to define a proposed social consensus that will attract donations to your cause*. This is a way the BitShares community could "vote" for your idea and the amount you raise by some deadline would be a factor in the judges' decision.

Then you might be invited to do the following:

- 1. Submit a formal proposal (10,000 words max) following rules to be published.
- 2. Present a 30-minute sales pitch to our judges and audience in Las Vegas.
- 3. Participate in a 20-minute question period with our audience and judges.

After up to five finalists have presented, the judges would announce the first BitShares shark tank winner. Even if you don't win, the publicity and support gathered from the competition would give all finalists a big head start. The result could be up to five new DACs for PTS and AGS holders to own and support.

If you don't have an idea for a DAC yet, our forum is full of exciting concepts, including those of our own we have shared. Think of the potential variations on BitShares X alone! Many of these DACs will eventually be developed by Invictus if no others step forward to accept the challenge. But we are hoping that by offering a helping hand, we can encourage many new companies to take their place with us as founders of this exciting new industry.

We are still at the early planning stages - this article is just to start a discussion on how best to build an industry of independent developers of incorruptible unmanned companies. Much of what we do will depend on whether there are enough qualified start-up candidates who want to participate. We will listen and seek opportunities wherever we can find them. Let us know what you think!

Stan Larimer President