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## What is EOS?

- EOS is a blockchain platform designed for large-scale decentralized applications. Think of it like the blockchain version of iOS, where EOS is the network that runs any of the blockchain Apps that choose to run on top of it. The EOS blockchain already has the **ability to process over 5,500 transactions per second**, and is still in early stages of development (launched June 2018). For comparison, Visa processes 1,700 transactions per second, Bitcoin 5 TPS, Ethereum 15 TPS.
- After a small account creation fee (~0.68 EOS, ~\$2 as of 9.8.20), **EOS users perform transactions free of charge**. For comparison, Visa transactions cost ~2%+7cents, Bitcoin \$1.30 median, Ethereum \$1.20 median. BTC/ETH transactions can cost hundreds of dollars for large amounts. Having free transactions eliminates the friction that credit cards, Bitcoin, Ethereum & many other blockchains have. The number of transactions a user can perform is in proportion to the % of EOS tokens the user owns and 'stakes'. For example, if you own and stake 1% of all EOS tokens, you're entitled to use 1% of the network's transaction capacity. If a user needs more transaction capacity, but doesn't want to purchase more EOS, they can pay a relatively small fee to rent EOS from other users who are not using their full transaction capacity and are willing to loan their EOS to collect interest.
- In 2018 Block.one (B1), the company that created EOSIO software, raised \$4B. The market cap of EOS today is around \$3B. While the EOS token does not represent ownership of the company B1, **there is plenty of funding backing this blockchain**, which many blockchain projects do not have. At least \$1B has been set aside for funding new ventures that use the EOS blockchain, while the rest is used to maintain operations of Block.one, which continues to develop EOSIO updates monthly.
- **Dan Larimer**, founder of Block.one, is a crypto OG that was involved with Bitcoin since Satoshi was around. He created the first decentralized exchange, Bitshares, and the first decentralized social media website Steemit. Both of these projects were successful in that they were highly utilized and they proved specific blockchain use cases. EOS is his third project, where he is now expanding the scope to a more general purpose blockchain, where EOS serves as the platform that links many applications that can all operate securely and efficiently.

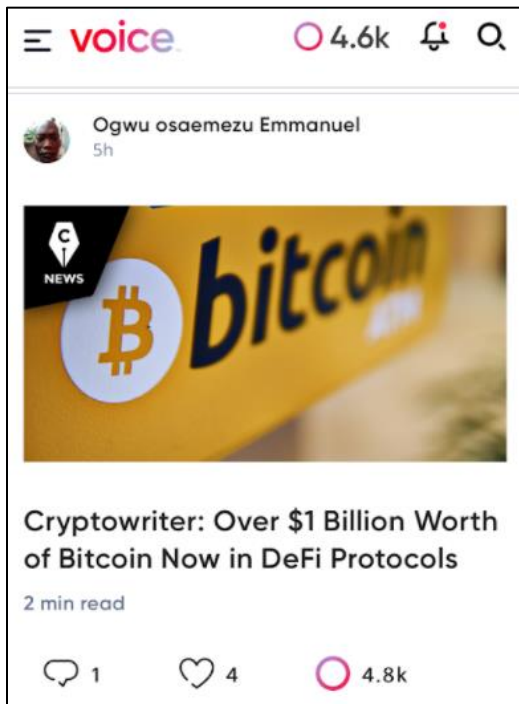


Dan Larimer – CTO of Block.one

## EOS Apps

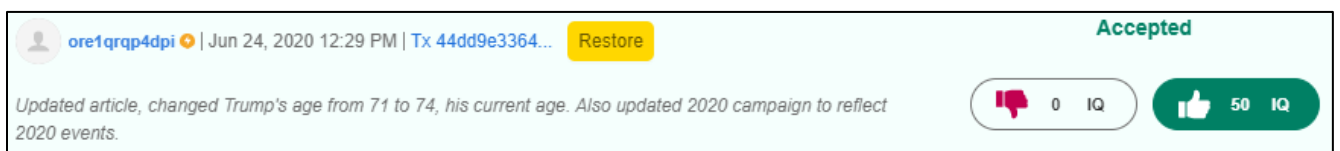


Dan Larimer's previous blockchain project Steemit (shown above) was/is basically Reddit except you earn money when your posts get upvotes. Block.one is already working on officially releasing an upgraded version of Steemit called Voice, which uses EOSIO:



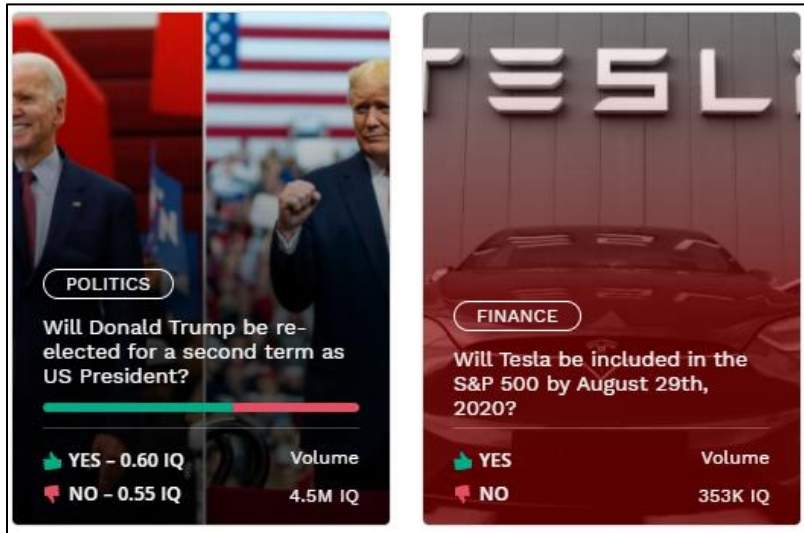
Other Apps already using the EOS network:

Everipedia: blockchain Wikipedia. Wikipedia relies on volunteer editing and donations, which is a difficult model to sustain. The Wikipedia Foundation also has final editing rights, which at times has proven to be biased. Everipedia seeks to solve both shortfalls by paying writers/editors that make contributions that get approved by voters. This ensures proper incentives for editors while also eliminating bias of the 'final-edit' decision by opening proposed edits to a vote.

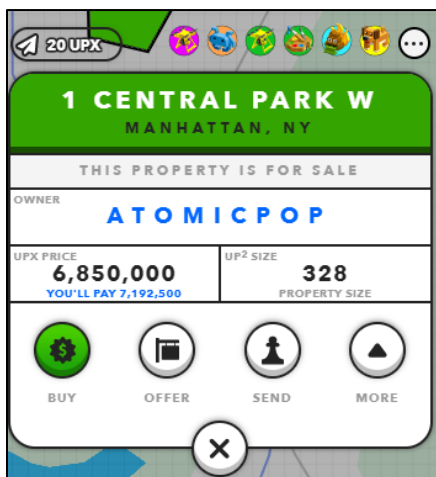


The IQ token is the name of Everipedia's cryptocurrency that is earned by editors/voters, which can be sold for \$ or used to 'wager' in Everipedia's innovative feature called PredIQ.

PredIQ is a prediction market where users can create a market on anything that can possibly be predicted. Users wager IQ tokens and win/lose based on the outcome.



Monetized gaming is also a natural fit for blockchain. For users to feel comfortable spending money on digital assets, they want to know their purchase is verified, permanent, and will continue to exist whether the original developers of the game continue to operate or not. Upland is a Monopoly-like digital property trading game where users can buy digital properties based on real world addresses. This user paid \$250 for the Trump Hotel in NYC and is looking to sell it much higher:



Upland is one of the projects that Block.one funded through its \$1B EOS VC fund. Over \$1M of digital properties have been sold on Upland in its first year, with some users spending (investing?) over \$20k on these digital squares in hopes the game continues to grow and their properties increase in value. The thing about this game that is interesting for EOS is that no knowledge of blockchain is required to join and use it, meaning it has potential to go mainstream while many previous blockchain games on Ethereum were only for crypto nerds. Other reasons a game like this can only be done on EOS comes down to speed and cost of transactions. EOS transactions are just as quick as you're used to on normal websites, there is no cost to these transactions, and you have the added benefit of the transactions being verified/permanent on the blockchain.

These are just a few example use cases for EOS that already exist. One theme I think we will see is direct monetization of Internet activity via token rewards when users add value to the website in some way. Content creation and voting will be monetized by users instead of companies like Facebook/Google profiting from users' content/voting information. Market making activity on decentralized exchanges is monetized by users instead of the exchange company. Overall, more power is put in the users' hands vs internet company's hands.

## Glossary

**EOS:** Refers to the token/blockchain. EOS is the 'main' blockchain that uses EOSIO software. Other 'sister chains' that also use EOSIO software include Telos, WAX, BOS, and UOS.

**EOSIO:** Refers to the software, not the token or a particular blockchain.

**Block.one:** The company that designed the EOSIO software. To comply with US Regulations, Block.one did not launch the EOS blockchain – they simply wrote the code for the 'community' to launch. As Block.one holds 10% of EOS tokens, they remain primarily committed to developing the main EOS chain, although the software they write is open-source.

**Staking:** Liquid EOS tokens do not have rights to transaction power on the network, they must be staked to earn these rights. Staking means locking up EOS tokens for at least 3 days in exchange for computing power on the network. CPU is the main computing resource that users currently need, while smaller amounts of RAM and NET are required to operate. Staking tokens also allows users to vote for block producers.

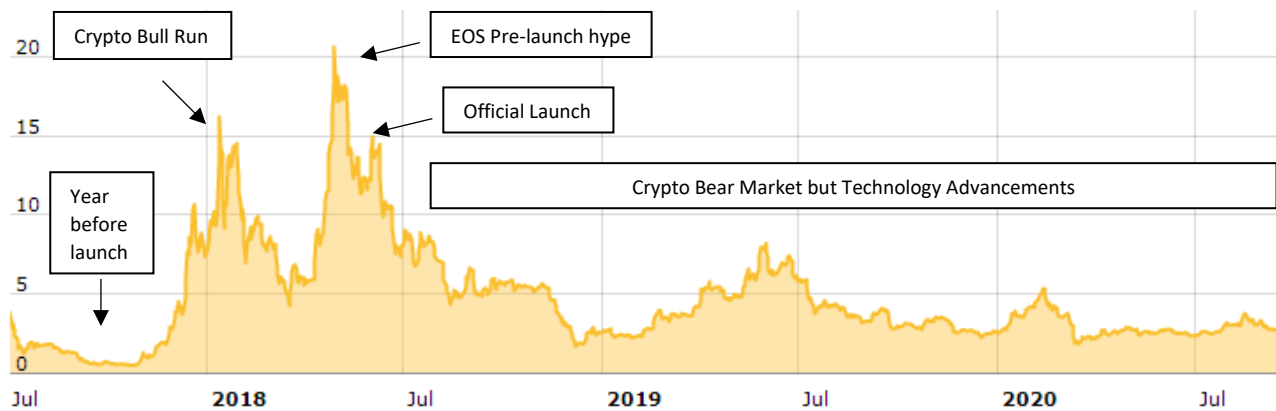
**Block Producers:** While Bitcoin has 'miners', EOS has Block Producers (BPs). BPs are organizations that have servers that run the EOS network. They verify transactions, implement Block.one's software updates, and earn block rewards (EOS) for their work. The EOS they earn comes from the 1% annual inflation rate of the EOS blockchain. This 1% is shared between the Block Producers based on how many votes they receive from EOS token holders. The Top 21 BPs are the most important group, as they also have ultimate governing rights over what changes are made to the network by 15/21 majority vote.

## Pessimistic Scenarios/Risk Factors

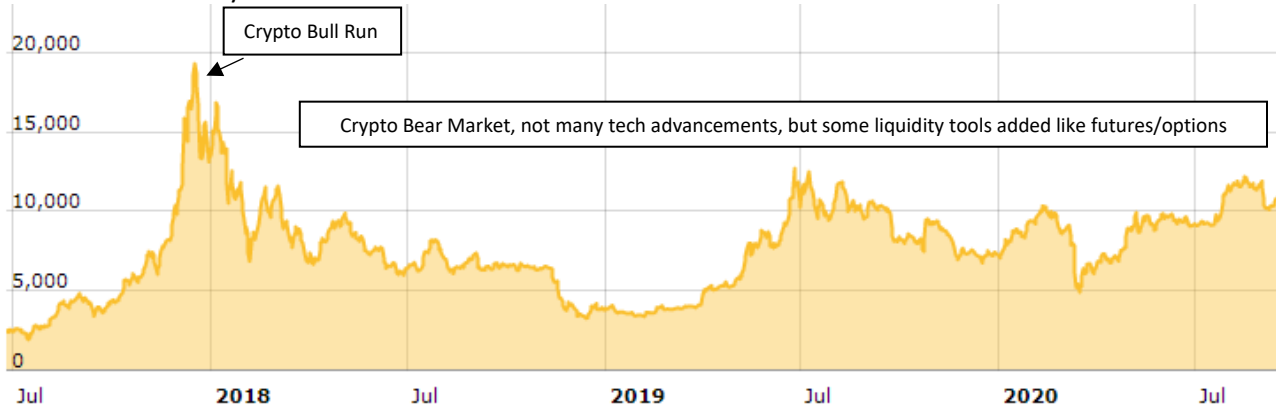
- While Block.one has made consistent software upgrades and launched the Beta version of Voice, the founding company hasn't been as active in governing/promoting the EOS blockchain as the original token holders would like. B1 may have been doing this for SEC compliance reasons, or to avoid being accused of using too much power (centralization is a cryptonerd no-no). Until recently, they have been promoting EOSIO (the software) rather than EOS (the main blockchain), which has frustrated the original EOS token purchasers as B1's \$4B of funding came from these pre-launch EOS buyers. For SEC compliance reasons, B1 made it clear the purchase of EOS tokens did not represent equity in B1, and B1 had no obligation to the EOS blockchain. However, since B1 continues to own ~10% of all EOS tokens, they do have a financial incentive to grow and promote the EOS chain, and more recently they have changed their tone from promoting the more general EOSIO protocol to the more specific EOS blockchain.
- The current voting system allows each 1 EOS staked to vote for 30 BPs, rather than 1 BP per token. This misstep has caused vote swapping to occur among some of the 'whale BPs', so collusion is allowing certain BPs to enter the Top 21 that may not belong there based on merit. These BPs could only be here for short term profits rather than the long-term growth of EOS as is expected of Top 21 BPs. After months of silence, Block.one has finally made it public they will push for 1 token = 1 vote (1T1V) which should help restore confidence in the governance model and get some of the hard-working non-whale BPs back in the Top 21. These non-whale BPs would then get compensated more and would be able to reinvest more in the EOS ecosystem.
- Ethereum is the 'incumbent' to the market EOS is trying to capture/grow. As of 9.16.20, ETH has a Market Cap of \$42.6B vs EOS \$2.5B. Based on technology alone, EOS clearly is better than ETH is today. However, network effect and incumbency has proven to be more important in the crypto space, at least in the short term. For example, there have been many 'new versions' of Bitcoin developed that have better technology features, yet Bitcoin remains the highest valued cryptocurrency because it was first and has an established userbase. Ethereum still has an active developer community, and they are trying to change their protocol to be more competitive with EOS with Ethereum 2.0. The official Ethereum 2.0 release date has been elusive and will come in phases over the next several years, but may begin within a few months. So it is a race for Ethereum's technology to catch up to EOS, versus EOS's ability to grow its userbase due to established superior technology. However, there is also a scenario/theory that a rising tide lifts all ships, where the growth of ETH leads to more blockchain adoption generally, creates a crypto bull run and raises the value of EOS along with it.

## Valuation

### EOS Price History:



### Bitcoin Price History:



	EOS
Current Price	2.75
All-time high	18.63
All-time low	0.50
Support Level	2.00

Name	Market Cap (\$Bil)	Vs EOS xMultiple
Apple	1918	767
Visa	450	180
Tesla	411	164
Wal-Mart	386	154
Bitcoin	200	80
Ethereum	43	17
Tether	15	6
Wendy's	5	2
EOS	3	1

Valuation Scenarios	EOS Price	EOS Mkt Cap	Confidence it Happens by 2030
Crypto Bull Mkt only (x3)	8.25	7.5	85%
EOS=ETH (x17)	46.8	42.5	40%
EOS=ETH & Bull Mkt (x17 x2)	93.5	85	34%
EOS fails, Crypto sucks	0-2	0-1	5%

Any valuation technique is fairly arbitrary. This is meant to provide perspective, possible scenarios, and price targets. First thing to note is the current price of EOS is relatively low vs its All-time high that was achieved before it even had even officially launched. Much like the tech bubble of 2000, this price could foreshadow a fraction of future price once blockchain is widely adopted. A table to the left compares EOS Market Cap to some other cryptoassets and some well-known stocks just for perspective. The bottom table shows a few scenarios, along with my % confidence the scenario will happen within 10 years. Will there be another crypto bull run within 10 years? I think very likely, and EOS would benefit even without gaining ground on ETH. Will EOS catch up to ETH? I have it at 40%, and only that low because superior technology a lot of times does not mean the userbase/network grows in proportion. However, over the long run superior technology should allow EOS to catch up to ETH in market share. Even with ETH making its own tech improvements, EOS is able to make changes much more quickly. Will EOS fail and is crypto just a pipe dream that all this time and money is being wasted on? Obviously, I wouldn't be writing this report if I thought this were the case, but I've been wrong before. Any risky investment has the chance to go to \$0, this one just also has the chance to 30x.

Other Notes: First, do more research beyond this report. Second, consult your financial & tax advisors. General lessons I have learned with crypto investing:

- 1) Size positions at a fraction of your typical individual stock holding. Cryptoassets are 4-10x as volatile as stocks, so size positions accordingly
- 2) Dollar cost average: each purchase should be 10-20% of your expected max position size. Spread purchases out over time/price to help keep your sanity.
- 3) Diversify. First, I'd like to make the point that if you own zero crypto, you are short crypto. There is a small % you need to own just to be 'neutral'. So making your first investment in crypto is called diversifying (dare I say de-risking?) your portfolio! Also, diversify across a few crypto projects. After looking into several, EOS was the project I aligned most with in terms of vision and purpose, but it would be foolish to bet it all on one project.