

CHAPTER ELEVEN

Why We Believe in Scalable Blockchains and BSV

CRYPTO CONSENSUS VIEW

BSV is a scam. It is insecure and not worth thinking about.

UNBOUNDED CAPITAL VIEW

Scalable blockchains are the only blockchains built for long-term success, and BSV is currently the only scalable blockchain.

We are “pound-the-table” Bitcoin bulls for all the reasons stated in this ebook. We are extremely optimistic about scalable blockchains such as BSV because we think it is the version of Bitcoin that is by far the most likely to capture the full potential of Bitcoin. Currently, it is the only blockchain attempting to increase the scale of blockchain while also decreasing the fees paid by its users. In contrast, the crypto consensus widely views BSV as a scam, or at least sees it as something highly unlikely to succeed. In our view, there are two main reasons for this. First, BSV has a very different type of goal than the rest of crypto, massive scale without concern for trustlessness or censorship resistance. This goal is very difficult to understand for mainstream audiences who believe that Bitcoin is only valuable because of these qualities. Chris Burniske of Placeholder Capital puts the consensus view of BSV well, as he was quoted in a [Coinslate piece](#) saying, “we’ve never seen a compelling reason for it.” The second reason BSV is dismissed is its heavy association with Dr. Craig Wright. Dr. Wright claims to be Satoshi Nakamoto, the creator of Bitcoin. The firm nChain, where Dr. Wright is Chief Science Officer, is playing a major role in the development of BSV.

The crypto consensus almost universally thinks that Dr. Wright is lying and is not Satoshi Nakamoto. This makes the likelihood that BSV will have value extremely low in their minds.

Our belief is that regardless of whether Dr. Wright created Bitcoin, he is absolutely correct in his convictions about Bitcoin. We strongly agree with his view that Bitcoin is capable of massive scale and that it was not created to operate outside of the law. nChain, Craig Wright's company, has poured massive resources into this vision to great success. We think that pursuing this vision through the restoration and professionalization of the original Bitcoin protocol is the most valuable direction for Bitcoin and all blockchains. We have such conviction in this vision that we have made BSV the exclusive focus of our firm. Many others share our convictions. Hundreds of entrepreneurs have flocked to BSV to build on the original Bitcoin, in many cases abandoning other protocols. These developments in BSV are truly exciting, and in our view it won't be long before the consensus view in crypto is that Bitcoin is the future and BSV is the version worth building on and investing in.

DEVELOPMENT OF BSV

BSV became independent in November 2018 when it split from Bitcoin Cash (BCH). In spite of being the black sheep of the crypto world, BSV has seen tremendous progress since that time. The primary goal in BSV's development was two-fold: return to the original Bitcoin rules while professionalizing the code. Since Bitcoin's launch in 2009, the code for the mining software has been maintained by passionate volunteers. This has resulted in an extremely messy codebase that has proven time-consuming to restore without breaking. Fortunately, nChain employs dozens of developers who have been diligently working towards restoring Bitcoin's functionality. In February 2020, the Genesis upgrade made two major restorations to Bitcoin: the removal of any block size limits and the restoration of the original scripting language. Miners are now free to scale to meet demand on BSV, something not possible on any other PoW chain. Not only are miners free to scale transaction throughput, they are doing it. Since these constraints were removed, BSV has generated the majority of transactions on public proof of work blockchains by a large margin. BTC, which hovers around 200k transactions processed per day, has been left in the dust as BSV regularly does millions, with some days over 10M transactions (as of July 2022). We expect this number to grow exponentially over the coming months and years.

WHY WE ARE BULLISH ON BSV

Our conviction that BSV will be a transformational network and that the native currency on BSV will have immense value is rooted in our belief in Bitcoin's potential. We think the efficiencies Bitcoin offers via the centralization of information will transform the internet into something better. BSV is the only network pursuing that goal. We think that the network being formed by the individuals and businesses working towards that goal on BSV will be difficult to overcome for potential competitors. A tremendous amount of infrastructure has already been built on BSV. The incentive for other developers is to shift to building on Bitcoin. Why reinvent the wheel when you can use the wheel? The incentive for investors is to shift their investment in chains like BTC and Ethereum to BSV. Why own something relatively expensive which does not work and is pursuing a less valuable vision when you can own something relatively cheap that works and is pursuing a more valuable vision?

Further, BSV has a distinct advantage in IP via nChain and other businesses building on BSV. **nChain has a patent portfolio** approaching 1000 unique patents related to Bitcoin. Because their understanding of Bitcoin is superior to that of their competitors, this patent portfolio has outsized value due to both its size and relevancy. It is unclear to what degree they will be able to enforce these patents, but it is known that use of these patents will either be open or far more favorable to applications being built on BSV. This is a powerful incentive for start-ups and medium-sized businesses to build on BSV rather than risk legal action or pay increased licensing fees, particularly since BSV is the most functional blockchain.

WHAT IS BEING DONE ON BSV TODAY (July 2022 Edit)

BSV has already achieved scale and efficiency not thought possible for a PoW blockchain, and this is only after three years of independent operation with limited adoption. To date, the largest blocks on any blockchain have been mined on BSV. The largest block on the BTC network to date is 2.26MB. This is about 2000x smaller than the record on BSV, **4GB**. BSV fees today (July 2022) fluctuate, but are typically tens of thousands of times cheaper than on BTC. BSV has significantly higher daily transaction volume than does BTC, with a price that is 530 times lower.

At Unbounded Capital we have never been more bullish about the future of the Bitcoin SV ecosystem. The vast majority of crypto investors continue to overlook this ecosystem's progress, distracted by all-time-high prices in otherwise struggling networks like

BTC and Ethereum. We think the strong foundations laid in Bitcoin SV in 2021 will support enormous value creation in 2022 and beyond.

We are gaining confidence that there is unlikely to be a serious competitor to the original version of Bitcoin as a blockchain that can achieve global scale. There are two metrics we think are indicative about the future of blockchain adoption:

1. Is the network getting faster and/or cheaper with increased usage?
2. Which protocol is attracting the smartest developers and entrepreneurs?

There is not another public blockchain network we are aware of that is getting cheaper over time with meaningfully greater usage like Bitcoin SV. To learn in depth about other blockchains' scalability, check out our scalability research [here](#).

While networks like Avalanche and Solana are attracting a larger amount of the VC dollars being invested in what are known as scalable blockchains, we are confident this will be another one of the many short-lived trends in crypto. These ecosystems are crashing with increasing frequency as they attempt to scale. There is a widening knowledge gap between investors and builders. These networks, while still relatively cheap today compared to non-blockchain solutions, have soared in cost, putting aside the immense stability and security concerns. There have been significant profits for investors in these blockchains that are not poised for long term adoption, something we think is reminiscent of many of the dotcom companies in early 2000.

We are seeing most entrepreneurs building on Bitcoin SV not trying to make a quick dollar, but instead focusing on long-term value creation. This is reflected in the growing number of companies, projects, developers, building on Bitcoin SV over the past several years. Earlier this year we published the [first comprehensive list](#) on what is happening in our ecosystem. Depending on what metrics you look at, Bitcoin SV is the 2nd or 3rd largest blockchain entrepreneur and developer ecosystem today behind Ethereum and neck and neck with Solana. And while we can point to dozens of companies that tried to build on Ethereum, Hyperledger, and other blockchains that have since moved to build on Bitcoin SV, we are not aware of a single example the other way around.

When Unbounded Capital began focusing on the Bitcoin SV ecosystem in 2019, we were particularly busy doing due diligence on, and taking meetings with founders of, infrastructure companies. We were excited by Bitcoin SV's layer-one efficiency and scalability, but the

infrastructure required to support the development products was still nascent. For builders and investors, this presented an opportunity. Seizing on this opportunity, Unbounded Capital largely invested in these infrastructure companies from 2019 to 2021, which improved the Bitcoin SV developer experience. These investments included [RUN](#), [HandCash](#), and [Tokenized](#), to name a few. Now, most of those companies in our portfolio have raised capital at higher valuations and have meaningfully increased their users and customers.

After years of the BSV ecosystem's (and our own) focus on infrastructure, we are entering a phase where many of the promising companies building on BSV are leveraging BSV to build a valuable product, and are not an infrastructure company. For example, new media and social media companies have launched that take advantage of cheap payments on Bitcoin. Twitch is a standout in adoption, both in BSV and in the wider crypto sphere. Twitch takes on frustrations with traditional social media by offering a Twitter alternative, where all actions have a financial component. Writing a twitch, liking a twitch, following another twitcher all cost somewhere between 2 and 10 cents. Most of those payments go to other users who are responsible for the content being liked or followed. This gives users an opportunity to earn money from the platform and keeps the quality of content high. It's an experiment in a new kind of online community, and it is also a platform that lets users retain control of their own data. All twitches live in Bitcoin's database. If Twitch dies, the twitches survive, and if a competitor emerges, users can take their twitches with them to a different platform. Ultimately, we believe that this type of model will become ubiquitous. The specifics of Twitch may not work, but we think applications providing different views and methods of engaging with the same set of content, the Bitcoin database, will proliferate. User lock-in will no longer be a competitive option.

In 2021 we began to see the positive consequences of the decreased developer friction provided by BSV infrastructure companies. This led to a major uptick in meetings with, and ultimately investments in, companies that leveraged those infrastructure providers' tools to deliver value to businesses and end-users. These companies include [Haste](#) and [DXS](#). In many ways most of these new companies are fundamentally infrastructure companies in the long-term, but ones that, upon launch, also had consumer-facing products.

The maturation of the ecosystem's infrastructure and tooling not only bodes well for Unbounded Capital by rapidly expanding the pool of companies building on this technology, but it also radically transforms the value of the Bitcoin SV ecosystem companies to both builders and investors. The companies we invested in in 2021 and those leveraging earlier portfolio company investments provided tangible experiences of our vision

for the future of the internet, supercharged by micropayments and novel types of data ownership. What in 2019 and 2020 were largely theoretical pitches about the future of the web became more real in 2021. Rather than describing the internet to an investor in 1990, we are now showing live demos of email and extrapolating this into a future boon for online connectivity, commerce, entertainment, and more.

The successes of 2021 and the massively positive trajectory of ecosystem development in conjunction with increased investor interest are setting the stage for a breakout 2022. What are some of the things we expect?

- **More acquisitions (e.g. Moody's buying Kompany)**

BSV RegTech KYC/KYB platform Kompany recently agreed to acquisition by Moody's to be closed in the coming months for over \$100M. We expect this variety of exit for BSV companies to become more of a trend in the coming years as the utility of micropayment and novel data applications built on scalable blockchain infrastructure continue to demonstrate their disruptive potential. While many enterprises have been sidetracked by the decentralization red-herring since a boom in blockchain interest in 2017, we think the value provided by companies, those with an infrastructure focus in particular, that leverage Bitcoin SV's unique properties will be impossible to ignore.

- **App growth (e.g. Duro Dogs, Cryptofights, and DXS)**

In addition to early BSV-infrastructure exits in 2022, we anticipate consumer-facing startups to see a major uptrend in addition as the friction to onboard users to this growing sector of the economy continues to plummet. HandCash's recent addition of seamless fiat on-ramps has already significantly lowered the barrier to entry to BSV gaming companies, like Duro Dogs and FYX Gaming, which are targeting typical, non-crypto gamers. Because of the ecosystem's emphasis on interoperability and the ability for onboarded users from one application to earn and use BSV in other, connected applications, we think these improvements will be a tide that lifts all boats in the ecosystem. A rising tide will have an especially positive impact on BSV infrastructure companies, which are providing tools and services for applications across the sector.

- **Improved investor sentiment from high penetration of content**

The transformative potential of Bitcoin SV has begun to show rather than tell. Every month new applications are launched which attract new cohorts of users and demonstrate

additional functionality now possible thanks to Bitcoin SV's scalable blockchain foundation. The benefit of these applications are compounded by continued investment into content creation and education by Unbounded and others in the space. In 2021 we saw a major increase in both the quantity and quality of the publications that this content was reaching. We expect this trend to continue in 2022 as Bitcoin SV, and the applications that leverage it, continue to pick up steam.



The pace of BSV's development is extremely exciting, and we expect it will only increase. Since it became independent, BSV has seen an astonishing number of new and existing businesses begin to use Bitcoin's database. Having a functional Bitcoin is an extremely new phenomenon. Many of these projects and companies won't amount to anything, but we believe that some have the potential to develop into billion dollar companies. Further, we have strong conviction that this space will generate many new billion dollar companies and that Bitcoin will accelerate the growth of existing companies who can adopt it successfully.

In our view, the flawed assumptions of the crypto consensus and the confusion they have generated have likely resulted in the waste of millions of man-hours and hundreds of billions of dollars. Because of the cryptocurrency consensus' misunderstanding of the value of decentralization, the role of law, and the technical capabilities of Bitcoin, they have routinely made decisions that accept enormously high costs for no apparent benefit. At Unbounded Capital, we are investing in a future of Bitcoin at scale, a more efficient and accessible financial system, a better internet where users maintain greater privacy and control, and a better future. We hope that other investors in the crypto community can get behind this vision and start working towards Bitcoin at scale, not just digital gold and trustless, censorship resistant platforms. We look forward to building a future on Bitcoin or a yet-to-emerge scalable blockchain, and we hope that some of you will join us in helping to achieve that goal.