Crypto Success

Investing in Cryptocurrency for the Long Term

Tips and Tricks

By Pablo A. Lema

For Mom and Dad,
For My Daughter Helen,
And For Those Who Showed Me The Way.

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Introduction, A Book for the “Buy and Hold” Investor :

First let me introduce myself, my name is Pablo, I have been working in and around virtual currencies for about ten years. I started in gaming and have participated in several e-currency related startups, including: Tradcom South America, Butter Creek Software (Butter-Bot trading software), and LPAL.biz; mostly at a rank equivalent to COO or above. I have also participated in many other, smaller, retail ventures related to e-money, and had early experience with e-gold and other early attempts to create a means to exchange value over the internet. I have been active in Bitcoin since I found out about it in 2012, and I have been active in the altcoin market since 2013.

This book is geared towards the “Buy and Hold” style of investing. This means that our method works by helping you select the best cryptocurrency to invest in for the long term (at least 3-5 years) without trading or trying to profit in the inevitable up and down cycles of the cryptocurrency marketplace. Had you purchased Bitcoin at around a $1 value in 2011 (it traded far below that for a long time) and sold at peak in 2013 ($1000), you would have made a whopping 100,000% profit! It’s hard to argue with those sorts of numbers, and recent movements in the altcoin (alternative cryptocurrency) market show that early investors in innovative cryptocurrencies still stand to make those sorts of profits. The key is long term thinking.

This book will introduce you to the signals you should consider when purchasing any alternative cryptocurrency for the long term, and the steps you should take to stay safe on forums and exchanges. We make the assumption that although you may be a novice investor, you are likely familiar with the key concepts of cryptocurrencies; including wallets, mining, exchanges, Bitcointalk.org, navigating internet forums in general, etc.

Chapters and sections are in no particular order, so feel free to start anywhere and pop in and out of chapters; but try to get through all of them, though disparate, they provide a cohesive “whole” of information, to help you choose, and invest in, the best available cryptocurrencies.

This book does not provide trading advice, and any cryptocurrency mentioned or trading information provided, are included for informational purposes only, please conduct your own research before investing any money on any market. That being said, you should walk away from this book with a working knowledge of the key elements you must be aware of to separate the wheat from the chaff, and to avoid falling prey to scamcoins and other frauds.

Chapter 1: Selecting an Exchange

It's important to consider "where" you will start trading cryptocurrencies, you can't just use the first exchange that pops up on Google; that's how fortunes are lost. There are a myriad of options and unlike traditional brokerages, crypto currency exchanges are, by and large, run by people who range from seasoned entrepreneurs to amateurs coding platforms in their spare time.

The first thing you will likely need to consider is whether the exchange you are planning to use can fit your trading needs. As this book is geared towards "buy and hold" investors, those needs will generally be limited to safely receiving a bank wire or crypto coin deposit, quickly making funds available to your account, and finally, allowing you to quickly withdraw those funds to your paper wallet or bank account.

Due Diligence:

First and foremost, you must choose a candidate exchange where you would like to start trading, and do some research on it. The first step may seem straightforward but it is really not. You should Google (we will use Google *alot*) "Exchange 'X' Scam". So if we were looking to delve deeper into "Mary's Exchange", we would Google "Mary's Exchange Scam".

You have to keep in mind that whatever exchange you choose to investigate, you will likely see a large number of results. Crypto is much like the Wild West right now, and as such, exchanges or individuals may, for a myriad of reasons, competitive or otherwise, run campaigns of disinformation on each other, flooding the internet with fake complaints. That is not to say there won't be a myriad of real complaints, you just have to be able to tell the difference, and this is not always easy.

The first thing to consider is "How old is the complaint?" This is easy to tell as practically all forums where you might find complaints about an exchange will date them, the example below is from Bitcointalk.org and the infamous Mt. Gox, shortly before it collapsed:

[1]

You want to make sure that you are not looking at a very old complaint. Exchanges experience growing pains and crypto users want things “now,” so there can be a lot of frustration, which doesn’t mean it’s not legitimate frustration, but it doesn’t mean the exchange is necessarily fraudulent or in default.

There are a bunch of things that tend to indicate a complaint is legitimate. The following tips are intended to help you sort through the noise on crowded forums such as Bitcointalk:

1. The initial complaint gets a lot of responses quickly. If someone complains their bank wire hasn’t arrived after three weeks and then another group of people chime in with the same problem, then it’s likely you are looking at a legitimate claim.
2. The complaints that follow the initial one are from *different people, who have high reputations*[2]. Internet trolls[3] will often try to inflate false complaints by bombarding a thread with follow up complaints from new-ish user accounts.
3. The thread takes off: If your thread gets to more than a page or two after a couple of hours to a couple of days, you know you are looking at a real issue. Once someone pops the lid, it’s hard to keep the water in, and people will start posting their own horror stories one after another.

More on Exchange Reliability:

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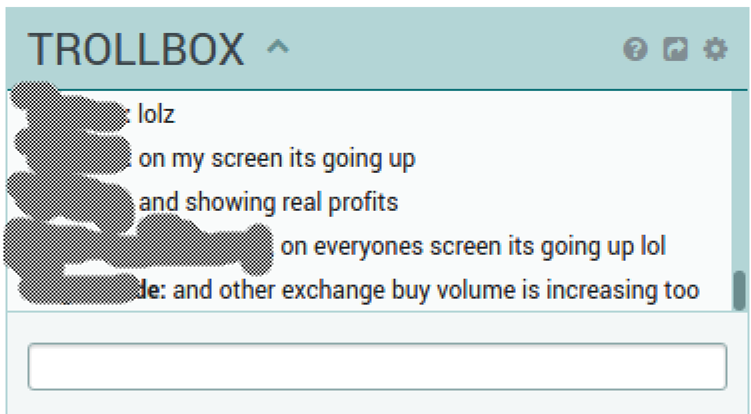
[1] https://bitcointalk.org/index.php?topic=179586.0

[2] Reputations are complicated to gauge but a good rule of thumb is accounts that are older than one year with no public strikes against them.

[3] https://en.wikipedia.org/wiki/Internet_troll; also see Chapter 4.

Another good way to gauge the reliability of an exchange, is to *ask.* Well designed coins tend to have their own, coin specific forums open to anyone. You can always ask “Is Mary’s Exchange reliable?” You should get an answer anywhere from a few minutes to a few hours later, and these are valuable responses from people with a vested interest in you having a good experience as you begin to join their community.

Another good source of information on an exchange's reliability is the infamously named “Troll Box”. Contemporary exchanges tend to have a chatroom on their pages (the “Troll Box’) where users can lounge and trade information. It is hard to take trading information seriously in a troll box, as half the point (and fun) is to practice disinformation, to your benefit; but if you ask a question about deposit and withdrawal times, members (not moderators) will likely give you a straight answer.



[4]

<u>Exchange Incentives, Stay Away!:</u>

The next indicator we want to look at is incentives. What incentives does this exchange offer you for signing up with them? The right answer should be “few to none”. “None,” being my preferred response. New exchanges have a habit of offering “fee free trading” to ramp up their volume, and there is nothing wrong with that, they need to attract new users, and users like to trade without fees. The downside however, as seen above, is that an exchange that offers this incentive likely has low liquidity and if you are trading more than a few hundred dollars, you will likely move the market and end up making things more expensive for yourself. Stay away from these exchanges until others have used them, brought up volume, and tested deposits and withdrawals. In crypto, as in life, you never want to be the guinea pig.

The incentive you want to really look out for is “interest”. And I mean interest in any form. The most common type is of course when you are paid by the exchange for them holding your money, but there are other types of “interest” gimmicks, such as bonuses for providing liquidity, using your account, etc. This either means your money is being

[4] From the Troll Box at Poloniex.com

used outside the exchange environment, which it should not be, or it's a straight up scam. It is economically infeasible for a well run exchange to offer interest on deposits. An exchange is not a bank. A well run exchange should have user funds segregated in special accounts and maintain a 1:1 deposits to reserves ratio; in other words users money should be used for nothing but cash outs (minus fees). In this scenario an exchange would do nothing but lose money by paying you any sort of interest.

Customer Service is Important:

Another good indicator is customer service, The first thing that comes to mind when I think of now defunct Mt. Gox's customer service is "could not care less". Stories of how deeply Mt. Gox could not care about customers are many, varied, and gruesome; even way, way before it collapsed. You could send them a ticket on your funds not arriving after 20 days and they would send you a canned answer, absolutely cold, and basically "we'll get to it when we get to it, so go away."

The reason customer service is so important, is because it tells you two things: the style of the founder, and how well funded the exchange is. If the founder runs a customer centric company (as it should be), customer service will tend to be helpful, they will know that their jobs depend on your satisfaction. If customer services first job, however, is to deflect customers angry with the exchanges' mismanagement or incompetence, it will be clear to you from your first interaction. A support agent has to develop a thick skin when he is deflecting angry customers all day. It will show. My advice is that before you start trading anywhere, you drop support a question or two, depending on how fast they get back to you and how much room they leave for questions, you can learn a lot.

Customer service also tells you something about how well funded an exchange is. The more available customer service is, the more likely it is you are dealing with a well funded venture. Be suspicious of canned emails with references to "the wiki" or "the FAQ". Yes, these have their place in the conversation, but the more a customer service agent talks to you like a human being, the more likely it is you are dealing with a reputable and well funded company. Because good customer service isn't cheap, and good customer service agents tend not to work for shady outfits. Working as a rep for a shady outfit wears an agent down mentally and physically, so the good ones tend not to stay; hence why bad businesses tend to have bad customer service reps.

Who Owns What?:

Know who owns the exchange you plan to use, where it is incorporated and where the founder is in day to day business. Crypto is moving away from "incorporated in Belize" and other tax havens to becoming established in centers of finance and commerce, such as New York with Bitcoin exchange "Gemini", and San Francisco with Bitcoin exchange "Coinbase".

Unfortunately, these are Bitcoin only exchanges, but our purposes can still be served from them. As long as you can find out where the exchange is incorporated and the real name of the person who owns it, you are on solid ground. This information should be posted on the exchanges website, or at least made available to you if you ask politely. Secret owners should be a big red flag. Bitcoin entrepreneurs are just like all entrepreneurs, we like to build the best products and run the best companies, you can't do this from the shadows.

<u>The Golden Rule:</u>

Finally, I will leave you with a "Golden Rule". As mentioned several times, Crypto is in its infancy, and due to the nature of it, a hack or theft can be catastrophic for any exchange; and it is impossible to foresee this in advance. Even the best funded and professionally run exchanges can, and have, been hacked. So if you take anything from this chapter make it two things: a healthy dose of skepticism when sending your money anywhere, and always remember to keep control of your crypto, never leave it sitting on an exchange long term. Cash it out as soon as your business is done. You don't want to be Goxxed[5].

5 http://www.urbandictionary.com/define.php?term=goxxed

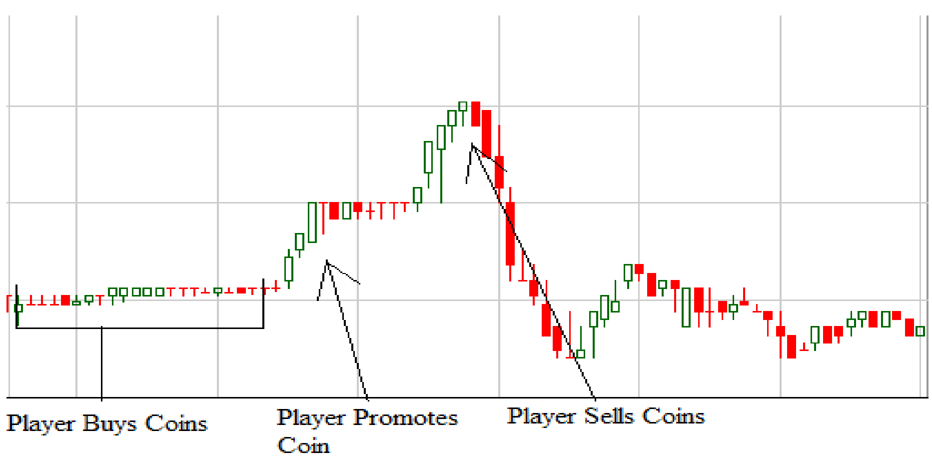
Chapter 2: Choosing a Cryptocurrency

There are literally hundreds[6] of coins listed on different aggregators and by the time you read this book, there may be thousands. Only a select few, however, will ever gain any traction, and of those that are able to build a community, only a handful of coins will be able to survive the next 5 years. To be a “buy and hold” crypto investor, you need to measure your decisions in at least 5 year increments.
So how do you go about separating the wheat from the chaff?

Rankings:

Rankings, such as those provided by CoinGecko.com and other aggregator sites can provide a list of popular coins as determined by their 24 hour volume, liquidity, market capitalization, developer activity, etc. let’s take each of these in turn.

24 hour volume: Reflects how much value has been traded through a given coin during the past day, usually expressed in Bitcoins (BTC). Generally speaking, this is a tricky indicator to gauge; if a coin is undergoing a pump and dump[7] cycle, volume will be artificially inflated, giving the impression that there is more interest in the coin than there actually is.
These pump and dump cycles are usually pretty easy to spot by the acute price changes reflected in the trading history and price graphs as steep up or down curves.



[8]

[6] https://www.coingecko.com/en/view_all

[7] https://en.wikipedia.org/wiki/Pump_and_dump

[8] https://www.cryptocoinsnews.com/wp-content/uploads/2014/07/Pump-and-Dump-Char.png

The best thing you can do is to check on volume every few days over a period of a week or two, as Pump and Dump cycles tend to last only a few days. If you notice steep changes in price in short periods of time you can be sure that the price of your coin is being manipulated. It is important to judge a coin on its real volume as opposed to manipulated volume.

Try to choose a coin with at least 10,000 USD (or its bitcoin equivalent), in 24 hour trading volume outside of a pump and dump cycle. Yes, there have been massive success stories of traders buying coins for a few cents, with trading volumes of a couple of hundred USD per day, and then selling them for massive profits later on, but these are rare exceptions. Success in cryptocurrency investment is a numbers game, and you will have more success by sticking to averages, instead of looking to hit mean deviating miracle trades. Higher 24 hour volume reflects a more established coin with a solid base, at least one functioning exchange (where the volume comes from) and perceived value by the trading community.

<u>Crypto Liquidity:</u>

For this particular exercise we will be testing the altcoins “Dash,” and later “Vanillacoin”. First Google: “Dash Trading Exchanges,” you will land on a site like the one below.

Exchange	Pair	Price	Volume (BTC)	Volume %
Poloniex	DASH/BTC	0.01481444 BTC	164.452	84%
Bittrex	DASH/BTC	0.01496415 BTC	17.998	9%
Btc-e	DASH/BTC	0.01470000 BTC	7.201	3%

[9]

It’s useful to look at where our example coin (Dash) is traded and how much of it changes hands, in a given exchange, in a given 24 hours. In this chart, Poloniex is the clear front runner, with Bittrex and BTC-E following at a distance. Notice that the top trading pair for almost all altcoins is still “BTC”.

[9] https://www.coingecko.com/en/coins/vanillacoin/trading_exchanges

Always remember to not only look at “Volume %”,but also to “Volume BTC.” For particular coin pairs, some exchanges have very, very small BTC volumes, and this means that even a purchase of a few hundred USD could move the market to your detriment; avoid trading in low volume exchanges, or low volume currency pairs.

<u>Wash Trades</u>**:**

In line with crypto liquidity, you should also be aware of “Wash Trading[10]” and how it can affect your investment opportunities on any given exchange. Wash trading can happen with both high and low volume coins (although it is easier to do in low volume markets), and it is something to watch out for.

Exchanges will often execute transactions where the accounts associated on the “bid” and “ask” sides, are both controlled by the exchange, or, in some cases, by very large stake holders. This happens so that the exchange can artificially inflate its trading volume and appear more attractive to traders who are always on the lookout for higher liquidity.[11]

It is not always obvious which exchanges are faking their liquidity through wash trading, if you are not familiar with that particular exchange's history. One good indicator is when you see an exchange's volume increasing without a corresponding movement on price. This is because the bots the exchange (or others) use to execute wash trades, are set to bid plus or minus cents, or fractions of a cent in relation to last trade; so although volume picks up, price remains unaffected. This makes sense when you consider that if the exchange actually decided to purposefully affect pricing, it stands to lose substantially if the market does not move in the direction that they need it to move.

Even the most established crypto exchanges have been known to use wash trading cycles to increase their volumes, but you should try to stay away from them even if you do so only when they are going through such a cycle. Wash trading can, although it not always is, be a sign of deeper problems; so it is best to be on the safe

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10 https://en.wikipedia.org/wiki/Wash_trade

11 http://cointelegraph.com/news/115382/bitcoin-price-analysis-wash-trading-and-rising-volume

side and park your money on calmer shores while this is going on. If wash trading is going on in an exchange you need to use for any particular reason (like it provides special features), move over to another exchange until the dust settles. Crypto investment is about minimizing risk.

Market Capitalization and Current Price:

Market capitalization is determined by a simple formula (number of coins available*current market price=MC). It is important to note this formula works with “coins available” (already mined) as opposed to the potential future total supply of coins.

Current Price is another one of those indicators that seems straightforward but is tricky to get right. It is a good indicator of current perceived value[12] but not much else. As a matter of fact, price should not be heavily weighted when evaluating a new coin; the crypto market is so immature and laden with manipulation, that the current price of a budding altcoin is nothing more than a place holder of a value that is yet to be determined. Considerations of price should never outweigh those of technical potential. It is also important to view market capitalization as easy to manipulate. Many developers will issue a huge number of coins, in the hundreds of millions, or even billions; because a rogue developer may engage in wash trading, these coins may reflect higher perceived value than there actually is, and because of the sheer number of coins, market capitalization may also reflect a vastly inflated figure. This is hard to do on high volume coins, but easy to fake on low volume markets, you have to watch out for this.

It is generally a good idea to evaluate market capitalization in context with daily trading volume, as opposed to price. If you see a coin with low daily volume but high market capitalization, you are most likely seeing a manipulation of that coin's price.

Developer Activity:

This indicator is of paramount importance, but is also pretty easy to fake, so you have to be careful. Most of the better coins host their code in public repositories such as Github.com, and you are free to peruse developer activity at your leisure. Most coin websites will include a link to their code repositories somewhere in their downloads page (or you could just Google: “coin-name Github”).

When evaluating these repositories what you want to look at are “pull requests” and “commits[13]”.”Pull requests” refer to issues, bugs and/or improvements to the code suggested by the developer, users, or anyone following the project. “Commits” are

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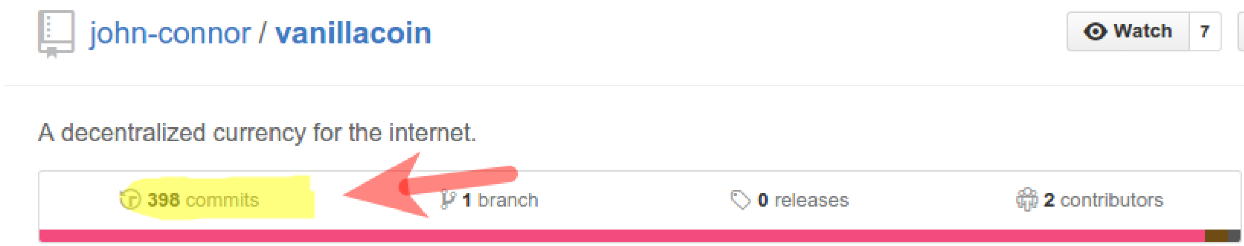
12 http://www.investopedia.com/terms/p/perceived-value.asp

13 https://github.com/john-connor/vanillacoin/commits/master

modifications that have been added to the coins source code[14].



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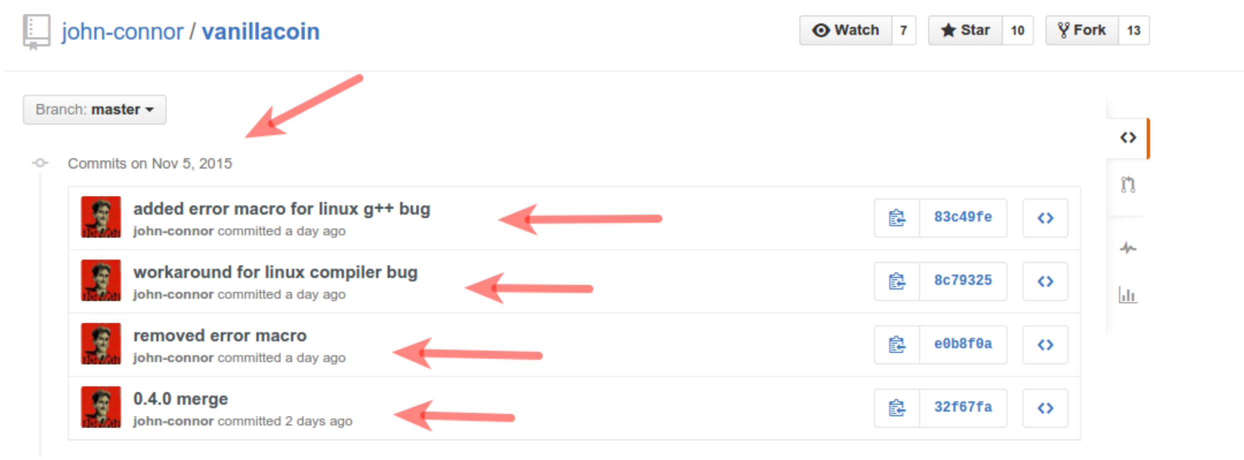

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The first screenshot shows the home bar of ”Vanillacoin” on Github, developed by alias “John Connor” (developers have a weird sense of humor). The second screenshot is of the commits page for Vanillacoin on Github. Note the big red arrow at the top, the highlighted area shows the number of “commits” to the source code. Another way to look at this is the number of changes, additions and subtractions, made to the source code since the coin was first launched.

The second red arrow shows the date of the particular set of commits we are looking at. Generally speaking, you want to see commits going in every few days, if a developer (or team of developers) is not actively working on the coin, you can be sure it will eventually fall into obscurity; and you will lose your investment.

There are exceptions to this rule, developers may be working on “big picture” upgrades and may not be actively working on day to day, “minor,” improvements (as

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14 https://en.wikipedia.org/wiki/Source_code

15 https://github.com/john-connor/vanillacoin

16 https://github.com/john-connor/vanillacoin

those shown in the screenshot above). In this case you should expect to see commits at least every ten days. Developers working on “big picture” code can get away with less active commits, but day to day issues will arise with the coin and the code will still have to be dealt with. Beware if you see a developer who only rarely, or worst, never, posts new commits to the source code.

You must be aware that the “number” of commits is not the only factor to consider. The number of commits can show whether a developer is active but it is also possible for an unscrupulous developer to spam minor commits to the source code; changes to the code that may take a minute or two to create but which add nothing of value to the coin.

Unless you are a developer yourself and can read the commit code, there are two key ways to figure out if you are looking at an active developer who also delivers. The first is to *ask*, either on coin specific forums or on Bitcointalk.org[17], about the number of recent releases and what types of features these releases have included. The number of possible answers you can get here is endless but there are things to look for:

1. Regularity - A coin that adds new features regularly.
2. Original ideas - The features this coin has are different from other coins, especially those of Bitcoin. Many altcoins are Bitcoin clones with minor modification, if you can’t tell the difference between an altcoin and Bitcoin from first impressions, don’t bother with it. Communities will put their novel ideas first and foremost and developers and coin specific forum admins will go out of their way to make sure the first thing you see when researching their coin are its novel features.
3. Developer responds to and annotates pull requests and other comments to the source code.

The other way to tell if a developer is active and adding new features is to interact with the altcoins core wallet software. The core wallet is the one developed by the core team and it will quickly tell you what you want to know. If you open an unfamiliar wallet, and there are a bunch of features and tools you have never seen before, that is a good sign. On the other hand, if a new coins core wallet reminds you of another coins core wallet, and if you can not find that “Novel Feature,” then stay away, there is no money to be made with clonecoins.

White Paper:

[17] Bitcointalk.org hosts the largest number of altcoin discussion threads.

A White Paper[18] is “...an authoritative report or guide...it is meant to help readers understand an issue, solve a problem,” etc. As applied to cryptocurrencies, it is an exposition of a coin's technology and new innovations. You can see a sample White Paper here[19]. As a coin is developed, White Papers may be modified or replaced by new White Papers as technology changes.

As it currently stands, very few new altcoins come with White Papers. This is because they are hard to fake; they are hard to fake because although a wiley scammer may put a shiny veneer on a White Paper, there are enough people in the altcoin community, with expertises in a myriad of fields, who would quickly call “foul” if a puff piece of unreal make believe were put forth to the community as viable technology.

You still have to use common sense however. Keep in mind a White Paper is only a position piece, it is meant to be vetted. A White Paper should include citations and references to other reputable sources which may serve to back up claims regarding new technologies and innovations. As an example, the original Bitcoin White Paper contains no less than 8 references to scholarly works in its “references” section; some dating back almost 30 years.

References

[1] W. Dai, "b-money," http://www.weidai.com/bmoney.txt, 1998.

[2] H. Massias, X.S. Avila, and J.-J. Quisquater, "Design of a secure timestamping service with minimal trust requirements," In *20th Symposium on Information Theory in the Benelux*, May 1999.

[3] S. Haber, W.S. Stornetta, "How to time-stamp a digital document," In *Journal of Cryptology*, vol 3, no 2, pages 99-111, 1991.

[4] D. Bayer, S. Haber, W.S. Stornetta, "Improving the efficiency and reliability of digital time-stamping," In *Sequences II: Methods in Communication, Security and Computer Science*, pages 329-334, 1993.

[5] S. Haber, W.S. Stornetta, "Secure names for bit-strings," In *Proceedings of the 4th ACM Conference on Computer and Communications Security*, pages 28-35, April 1997.

[6] A. Back, "Hashcash - a denial of service counter-measure," http://www.hashcash.org/papers/hashcash.pdf, 2002.

[7] R.C. Merkle, "Protocols for public key cryptosystems," In *Proc. 1980 Symposium on Security and Privacy*, IEEE Computer Society, pages 122-133, April 1980.

[8] W. Feller, "An introduction to probability theory and its applications," 1957.

[20]

Keep in mind the word “scholarly”. We mean what it says, a White Paper should reference at least a couple of papers written by recognized authorities in their respective fields. You may not be looking for articles published in peer reviewed journals, but you are looking for articles from professional sources. A link to a forum post from some random person does not count as a legitimate reference.

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18 https://en.wikipedia.org/wiki/White_paper

19 For sample White Paper, please see here: goo.gl/uYZzvG

20 https://bitcoin.org/bitcoin.pdf

All in all, however, the presence of a White Paper on your coins web page is a good sign, the presence of many revised versions and multiple White Papers for different parts of your coins technology, is an excellent indicator that good things are happening with your coin.

Centralized, Decentralized, Instamine, Pre-Mine:

Centralized vs. Decentralized:

The first part of this section is pretty straight forward; stay away from centralized systems. Any coin that is “issued” by either a person or a company, as opposed to minted via decentralized means, is suspect. There have been a couple of coins which have tried to capitalize on Bitcoin's success and have masked themselves to appear decentralized, Ripple is an early example of this.

The success or failure of these types of endeavors is beyond the scope of this book, but I would argue that these are not “true” cryptocurrencies, and can not be evaluated as such; a more fair way to evaluate Ripple or similar centralized ledgers, is as a startup, where it may be both innovative and successful, but it is not a “true” cryptocurrency.

Any time you have to relinquish control of either your funds or identity to a third party, you are getting rid of the key advantages of Bitcoin and its successors, in exchange for, well, perhaps a flashy login page.

And that’s the rub, if you don’t control the private keys, you don’t own it. If it can be taken away, frozen, or otherwise interfered with without your consent; it is not a true cryptocurrency. The upside to this is that these sorts of “fake crypto’s” are easy to identify; they will rarely have wallets in a similar vein to the Bitcoin core wallet, a standalone piece of software, but will most often be hosted on the web.

I also find distributed ledger coins, but whose coins have been created from thin air, to be suspect. These coins are distributed via giveaways and other methods, and they suffer from the same weaknesses as do centralized ledgers, they lack the intrinsic value of minting. Minting a Bitcoin costs time, know-how, equipment, and electricity; as opposed to the conjuring of coins which costs nothing.

Stay away from centralized systems.

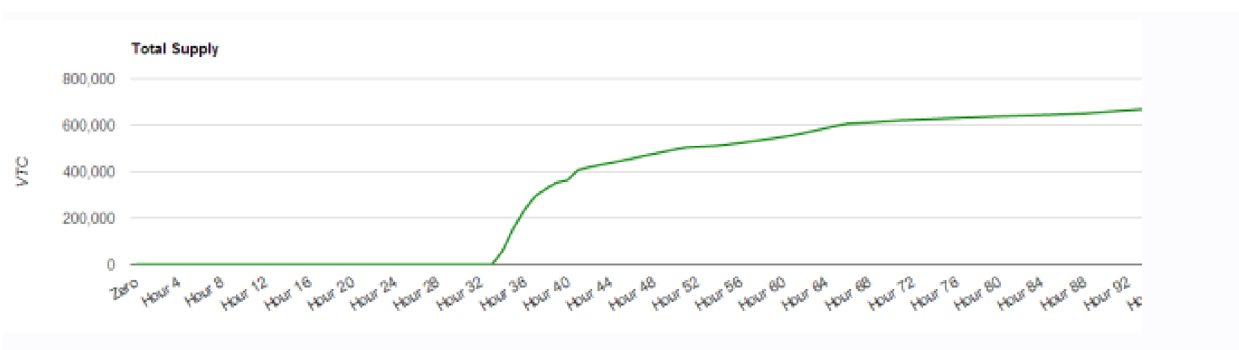
Pre-mine and Instamine:

A pre-mine is where a coin's lead developer (and others) mine the genesis block and subsequent blocks in secret for a period of time, prior to publicly launching their new cryptocurrency. These are almost always scams and one should stay away from such coins.

Identifying them can be tricky at first, but they are usually unmasked within a couple of days. These coins are usually part of a pump and dump scheme, where a coin that just launched is quickly added to an exchange, hyped and pumped to a certain level and then all the pre-mined coins are dumped, leaving bagholders with worthless crypto.

This is one of the core reasons why, contrary to popular wisdom of “get in early,” I advocate not investing in a new crypto currency at least for the first 180 days of its life cycle. Yes, there are great advantages to getting into the next great thing early, mainly cheap coins, but these sorts of scams are common enough that in the long run you are better off waiting to see if a coin grabs a foothold on land before sending your hard earned money in after it.

The instamine follows a similar logic as the pre-mine, it refers to a person or group, who, by the time the coin is publicly released, have knowingly or unknowingly introduced a flaw in the code that will allow them to mine a large number of coins (sometimes as much as 35%) in a matter of hours or days. It is important to note that the cabal that introduced the flaw is not the only one which can mine by abusing this flaw, but rather anyone can, as by definition the instamine happens after release. The end result is the same however, people “in the know” tend to profit. The screenshot below is from a cryptocurrency that was instamined, and it shows the progression of the instamine during the first few hours of the coins existence; notice how distribution is low until it skyrockets, almost vertically on the chart:



[21]

An interesting question comes up here. So if it is not okay to pre-mine a coin, and it is not okay to instamine it, how can a developer rightly profit from his efforts?

The developer is in a prime position, he knows things you do not, at least at the outset. He knows what his skills are, he knows how much time and money he has to

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21 http://cryptometer.org/vertcoin_96_hour_charts.html

deploy on this new project, and he knows what his endgame is. The endgame will range from “make money fast and get out,” to “change the world with my wonderful new crypto,” so he can do exactly what I just advised you not to do, that is, buy early. There is a subset of miners that dedicate themselves to mining new coins, and they are known for quickly dumping them on any exchange that will take them; in addition to trading them via PM (private message) and forum posts. This is one way developers can get their hands on their own coins, to buy them cheap from miners (as well as mine them themselves), during the first few days and weeks after launch. As a matter of fact, if you see a developer buying a large number of newly minted coins, this is a good sign that you might want to keep this crypto in your radar. A developer with “skin in the game” is always best.

It is important to stay away from both instamined and pre-mined coins; they are highly suggestive of pump and dump schemes.

The Golden Rule:

Remember that each of the signals we have discussed must be viewed in context to the coin as a whole. There are cases when a coin with low liquidity can be a good buy; and there are cases when instamines are not part of a pump and dump scheme but merely the result of buggy code. These signals are not “take it or leave it” but rather food for thought as you build a mental image of the coin you are considering investing in.

Chapter 3: Coin Life Cycle (When to Buy, When to Sell):

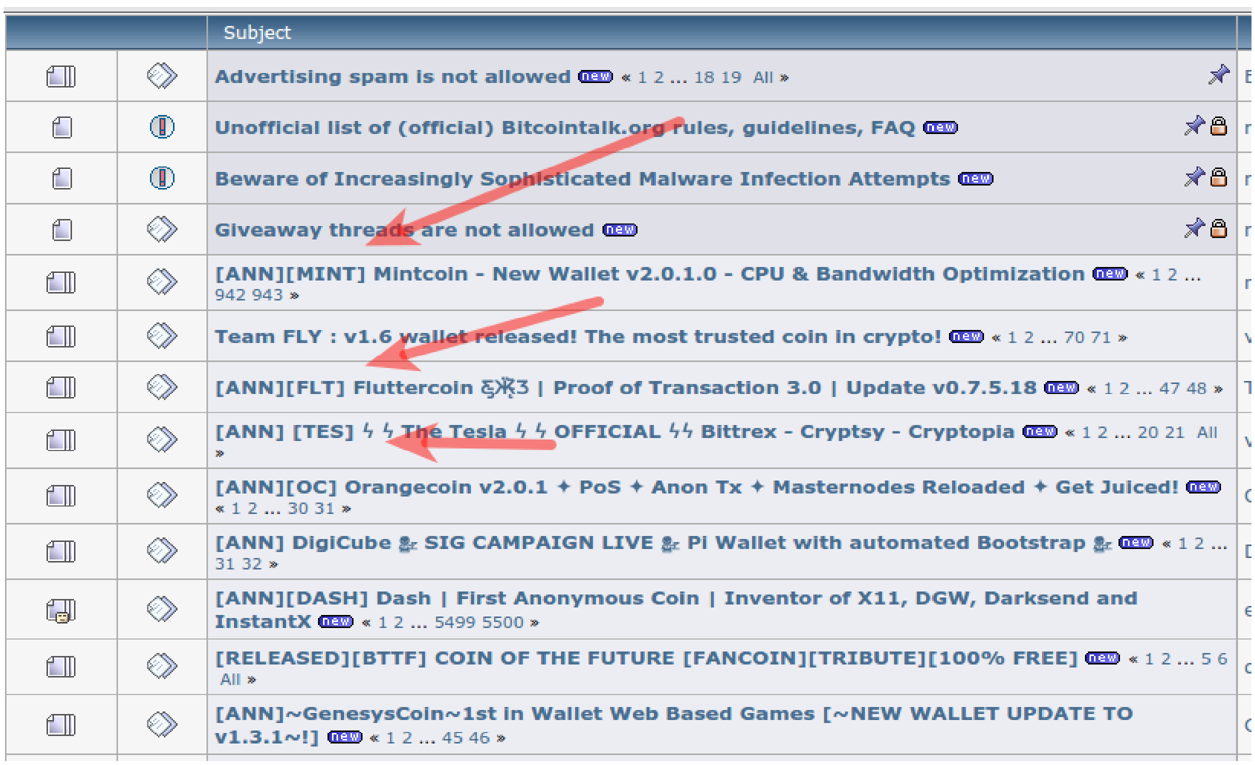
Investing:

I advise investing in a 20%-60%-20% "milestones met" sort of model. Let us explore what this means in a practical sense.

Pre-Launch:

Pre-launch is not the right time to make an investment, it is the right time to do as much research as possible: get to understand the ideas behind this new coin, and do some digging on the core team.

Your first interaction with a new coin will likely be in the altcoin announcements (ANN) thread[22] on Bitcointalk.org.[23]



[24]

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[22] https://bitcointalk.org/index.php?board=159.0

[23] Although this forum is dedicated to Bitcoins in particular, it is still where most new cryptos are born and presented to the public.

[24] https://bitcointalk.org/index.php?board=67.0

Notice that coin announcements are ordered by newest post first, so the coins with the most active communities will tend to rise to the top. It is a good idea at this point to sign up to Bitcointalk.org and any private forums for any coins in which you may be considering investing. Even if you do not sign up though, you will be able to view the discussions going on in these threads. I advise you to participate in them and ask as many questions as you can. In a nascent community, developers will tend to be the most approachable, take advantage of that fact and get a feel for them. You should be able to learn a lot based solely on how they interact with you and the type of feedback they provide the community.

A well developed coin will generally start its life as a White Paper as described in Chapter 2. The White Paper will give you valuable information, including but not limited to the identity of the core developer, be it his online or real life identity; it should also make you aware of the key concepts behind your new coin, including available supply, mining algorithm, etc. Read the White Paper in detail. Read it two or three times, and if there is something you do not understand, go to the main thread and ask the core team directly.

The White Paper and forums will also tell you which core team members have Dox-ed themselves. Dox-ing is internet slang for revealing the real world identity of someone, as opposed to their online persona. The more members of the core team who have dox-ed themselves (that is, made their real world identities public); the more likely it is you are dealing with a group of people who are in it for the long haul.
Dox-ing yourself carries with it significant risk, physical, digital, and legal. If your coin goes under and no one knows who you are, it is harder to bring a case against you and throw you in jail for conning users out of their hard earned money. But if you have made your real world identity public, it is more likely you have good intentions, because you face much higher stakes in case you default than if you had not made your identity public. Remember, however, that Dox-ing is not a panacea, there have been cases when a Doxed team has run a scamcoin[25]; and remember that Bitcoin was built by a still anonymous developer(s). Still, it is an indicator of good faith on the part of the core team.

Google is your friend, and it is a good idea to fully research core team members. Google your coin developer's name and see what comes up; look him up on linkedin, see what companies he has worked for previously. Google these companies and make sure they actually serve a purpose and aren't just shells. Look core team members up on Facebook and see what their interests are; generally, use your common sense.

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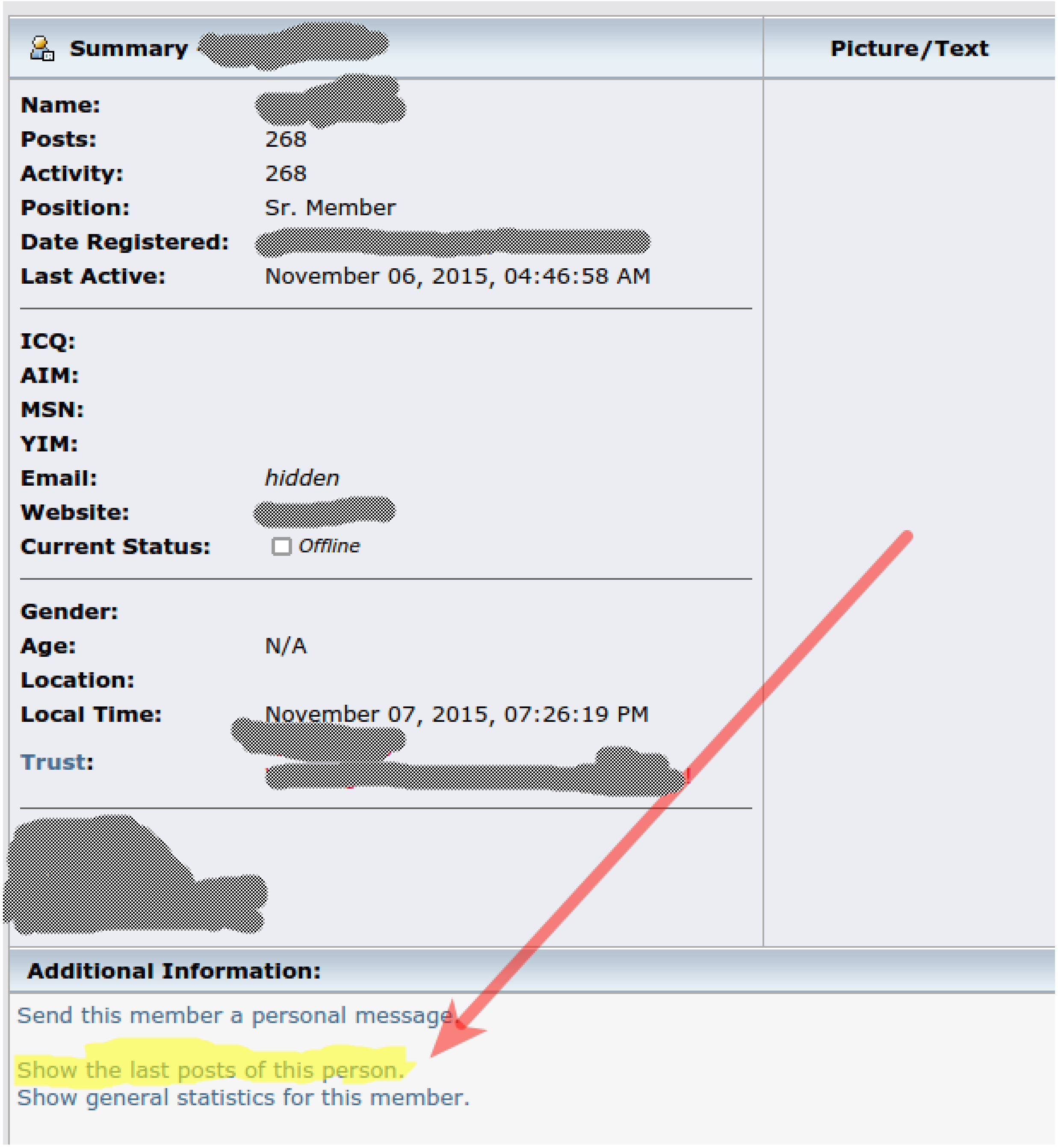
25 http://247cryptonews.com/gaw-miners-paycoin-scam-alert-complaints-under-sec-investigation/

It is also valuable to run this sort of research on anonymous developers using forum pseudonyms, but it is highly unreliable to try to track them to other corners of the internet through their pseudonyms. The best thing you can do is research a core developer's previous posts on a given forum for content, his reputation among his peers on threads where he regularly shows up, the amount of time he has been a member of a given forum, etc.



[26]

Is it fair to team members to make judgment calls on them based on some old posts and previous work experience? No, it is not; we would like nothing more than to go meet them in person, look them in the eye, and see their work first hand; but at this stage, these are the shortcuts we must take. Err on the side of caution.

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[26] Anonymous developers profile on Bitcointalk.org; showing a link to his posting history.

These steps will give you a sense for the core team and the ethos of the project; this is a good time to listen and learn as much as possible. At this level, it is important that the technology and the team intrigue you enough to stay on your radar.

Launch:

We will not be making our first investment at launch or any time near that either, we are still missing key milestones that will indicate to us that a coin has what it takes to survive its first 6 months.

By launch day, the developer should have already announced his coin on the relevant Bitcointalk.org sub-forums (as discussed above) and he should be opening the network to mining as close to the announced time as possible. Launches are usually conducted in UTC[27].

Both wallet and mining software should be made available to you promptly. There is a tendency in certain insta-mines to not make binaries available but rather to require users to compile miners and wallet software from code. An alternative is to only provide Linux binaries, where most users would be used to running these on Windows. The general idea, however, is the same, to add a layer of complication and keep mining to a select few, at least for the first few hours/days of a coin's existence. Beware of such instances for the same reasons as previously discussed.

Look for the coins discussion forum, this can be a thread on Bitcointalk.org, a coin specific forum, or an IRC channel, etc. Regardless, there has to be an effective way for rank and file users to get support from core devs at launch time. Communications mishaps are to be expected during the first few hours, but a couple of days in, things should be flowing smoothly. Otherwise you could be looking at a disorganized, or, at worst, incompetent team.

As days and weeks start to pass by, a good indicator of a well run project, is what happens when you ping (message) a core dev, or tag him on a forum post, or by some other means contact them directly. They should get back to you, don't expect an *immediate* response, of course, but within a few hours to a day or so, you should hear back about your concern. You want to stay away from developers who do not actively interact with the community and answer your concerns promptly and directly.

By the First 6 Months:

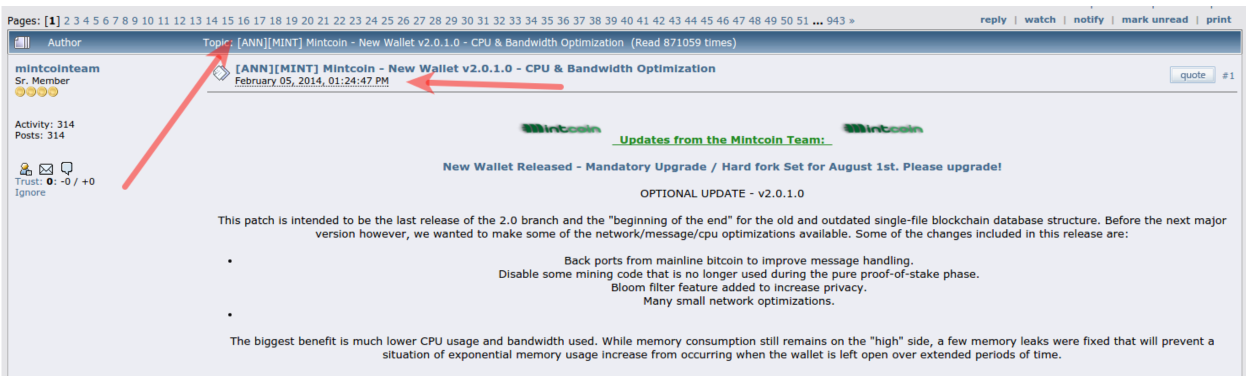
This is where we will consider making our first (20%) investment and there are a few milestones to look out for before we make a commitment:

Several weeks in, the coin should be coming along and birthing pains should have subsided. The team's main goal should be to find a market where coins can be

[27] http://www.timeanddate.com/time/aboututc.html

traded, and to make them available to the general public. Up to this point coins will have been hard to trade as they will be bought from miners through forums and instant messaging as opposed to market exchanges, thus pricing will fluctuate wildly from one seller to the next.

It is not possible to stress how important a market exchange is for a coin and it is a milestone to look out for. Market performance is a way to gauge a coin's potential value in the eyes of investors, so you should be looking for rising <u>volume</u> during the first few months of a coins' life cycle. Price is not an important factor at this stage and will likely fluctuate wildly as the coin finds its bearings.



[28]

Another important indicator of the health of a coin is its main discussion thread. In the forum post above there are a couple that I would like you to notice, among them is the *number of pages* a given thread has, marked by the long arrow on the left; and the date of the first post, marked by the horizontal arrow on the right.

The number of pages in a thread is important inasmuch as it shows how active a community is. If you jump to and read the last few pages of any thread, you should be aware of the community interacting with members of the core team (for the larger coins) or have a lone developer answering questions (for the smaller coins).

When looking at the last pages of a discussion thread, make sure the posts you are looking at are recent, you don't want to confuse an old, abandoned thread, for an active one based on a year old discussion. Your ideal point of entry would be a coin which has had active discussion for at least 6 months and is still going strong. The 6 month barrier is one most new cryptos, especially pump and dump schemes, will not cross.

Finally, by the six month mark, you should be getting your first major update to the coin. Look out for the groundwork of those shiny new features you were promised in the White Paper; don't expect them all at once, but do expect to see definite signals the

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[28] https://bitcointalk.org/index.php?topic=450381.0

coin is moving in the promised direction. At this point, some Dev's will also go ahead and reformulate or edit their White Papers to better suit practical realities; this is just fine as long as the technical innovations we were promised are *adjusted* to realities as opposed to *eliminated*. A White Paper should be exciting to read, and over time it should be fully implemented into the coin.

If features are being delivered and your community is growing (even if it is growing a little slower than you would like) now is the time to make your first 20% investment.

<u>Into the First Year:</u>

By this point you should have interacted with the community, seen the management style of the core developers and seen the fruits of their labor as more new features are being delivered by the core team. But don't drop your life savings into this coin just yet, chances are it will not survive its first 18 months of life. There are huge barriers in the competitive world of altcoins, and the first one of them is money.

A. <u>Money:</u> Past its 6 month infancy, a coin needs fiat to fulfill several real world needs; it needs a foundation to represent its real world interests, it needs to hire freelancers such as PR people and web developers, graphic designers and core developers. Two models have been used by 99% of altcoins thus far to deal with this issue:

-The first has been to charge membership fees for the coins foundation, and to collect donations to carry out specific projects the community finds are needed. This is an exceptionally bad way to fund crypto. It is true that Bitcoin was funded this way for a long time, but I do not think it is a replicable path. Bitcoin found outside patronage, core developers were hired by leading Bitcoin startups which funded their work. If that had not happened when it did, Bitcoin would likely not have achieved the heights it already has.

-The other way to fund development has been for developers to openly pre-mine a number of coins and as the new coins price increases after launch, to sell some of their stash to fund development and promotion. Both of these approaches suffer from the same evil but from different ends of the spectrum, one is entirely dependent on the goodwill of the community and the other is entirely dependent on a flawed concept of how crypto should be implemented.

This is the Achilles heel of the altcoin market today, and only a handful of coins have been able to come up with novel answers to this issue, regardless, lack of funding is probably the number one reason, outside of fraud, that a coin will fail. There will be tell-tale signs. By this point you should be active in your adopted coins community, and you will notice frustration and disorganization if this issue is not dealt with swiftly and decisively by the core team.

There have been many instances where coins using traditional funding mechanisms, have lasted for up to several years after launch, but they have by and large stagnated. If you see a coin with an innovative approach to the issue, I advise you to keep it on your radar. These coins, such as Dash with its Decentralized Governance model, do exist, and more are likely on the way.

B. Getting the Word Out: The second issue you need to watch out for before making your 60% investment, is expansion into realms outside the coins forum or IRC chat. You are not looking for professional PR at this stage, but you are looking for concerted efforts on Twitter, Facebook, and other social media, that are cheap but effective ways to reach a wider audience. Down the road there will be a space for professional PR, but at this stage your coin should be leveraging its users for grass roots, 'get the word out," campaigns.

[29]

This twitter post is representative of what a coin should be doing in its early to adolescent stages, getting the word out by any means possible.

C. Growing Transaction Volume: You should also be seeing your transaction volume continually increasing during this stage of your coins lifecycle; though it will likely do so in fits and starts. Your coin will likely be subject to a series of pump and dump cycles, as almost all altcoins are due to the diminutive amounts of money needed to move their markets early on; but as the coin grows, it gets harder to fake transaction volume without being obvious.

So to sum things up, into the first year you should see your coin begin to differentiate itself from the masses by developing innovative solutions to current problems, such as a decentralized funding mechanism or general anonymity; you should also be seeing increased transaction volume and expansion into the wider world through social media and other "get the word out campaigns". If your coin is innovative and the crypto community is starting to take notice, now is the time to make the bulk (60%) of your investment.

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[29] Twitter: XMRproductions

Taking notice by the crypto community, tends to happen on its own schedule, and is by no means a fixed formula, different coins run on different schedules, look for the signals we have discussed, not at your watch.

The Final 20% Investment:

You want to make your final (20%) investment when your coin is reaching a point of critical mass, which should propel it into mainstream consciousness. The chart below shows the average number of Bitcoin transactions per day since the inception of Bitcoin, notice how it began to skyrocket around 2012-2013; this is where Bitcoin reached a critical mass and went on to the next stage of development.

[30]

The point of critical mass is not a grand, fixed event. It is an accumulation of the positive signals we have been discussing in previous stages, overflowing, to bring this new coin's existence to the wider public, outside of crypto. If your second (60%) investment is defined by the fact that the crypto community begins to take notice of your coin; your final investment should be made when the world at large begins to take notice of your coin.

This point of "critical mass" will not be particularly hard to judge, you will likely see massive and very rapid price appreciation in combination with mainstream media coverage (CNN, FOX NEWS, etc.), also in combination with a barrage of newbies flooding your forums. Most of these people will likely be ignorant of crypto but eager to get in on "the next big thing."

Other signs of impending mainstream adoption include venture capital investment into new businesses that are either dependent on your coin or which provide

[30] https://blockchain.info/charts/n-transactions?timespan=all&showDataPoints=false&daysAverageString=1&show_header=true&scale=0&address=

services around its orbit. Conversion services such as Bitpay, and well funded exchanges such as Gemini (as opposed to amateur exchanges such as Mt.Gox), will start serving your particular cryptocurrency. The ecosystem will expand to cater to the new interest, and these adopters will help take your coin to the next level.

Prices will be erratic as mainstream adopters begin to flood markets and a boom and bust cycle, much like Bitcoin experienced, will likely come under way; I advise you to try to disregard price considerations and to make your final 20% investment as best you can. Unless your coin is now legal tender in your neighborhood supermarket, you likely have not missed the bus.

When to Sell:

Finally, let's consider this: when do you cash out? And, do you cash out? It all depends on your end goals, and, to a certain degree, ideology. There is a vast subset of cryptocurrency investors who are closely aligned to the Libertarian movement (among other ideologies) who believe Bitcoin and cryptocurrencies in general are going to change the world for the better. These groups believe that cryptos will do everything, from limiting nation's ability to wage war, to putting an end to government abuses around the world.

I am one of those people, I identify with these movements, and I believe in their ideologies; as well as the power of crypto to change the world for the better. But this is a book about investing, and investing is about making money. So my advice to you is simple: set goals early. When your coin surges a few years from now, and everything is rosy, your instinct will be to hold. This is where your rational brain stops working and you start dreaming, not of buying a new house, but of buying your own plane.

You need to have a plan. I suggest that on the very same day you decide to buy a cryptocurrency for long term investment, that you set a target price to sell it at, a goal if you will; and when you reach that price, you liquidate the bulk of your holdings and call it a day.

There is nothing wrong with keeping a stash of Monero, or any other coin you happen to have invested in for the longer term, but the bulk of it should be liquidated. Yes, your coin could keep surging, and you could end up buying that DC-10 you always wanted, but your coin could also plummet from one day to the next. In crypto, you are one hack away from losing everything; be risk averse.

However, I will not lose any respect for you as an investor, if you choose not to heed this advice. If over the years of participating in the crypto community, you drink the Kool-Aid, and decide to hold until the bitter end, and you let your investment ride into the future; not just for money, but because you are part of a new movement, one that will change the world for the better, I will likely be right there next to you; right up until the lights go out.

Golden Rule: Invest in stages, and spread your investments out over time; over the long run it's better to invest a little and miss the bus than to invest a lot and fall off a cliff. Don't fall prey to the Hype Cycle. Set cash out goals early, and do your best to stick to them.

Chapter 4: General Tips and Tricks:

This section is dedicated to providing further depth to some of the key concepts we have brought up and bringing together disparate tidbits of knowledge that do not fit neatly anywhere else.

1. **Trolls**: Trolls are the bane of the internet, and crypto is no exception; and things can sometimes get heated, and sometimes, they get out of hand. Despite best efforts, Bitcointalk.org is filled with trolls and scammers, paid and otherwise. It is very likely that certain altcoins have professional trolls on retainer who attack any and all other altcoins which may have a chance of upsetting that of their patron, in concerted, 24 hour, 7 day a week, sessions of spreading Fear, Uncertainty and Doubt (FUD) within the community.

Trolls are agents of disinformation and master provocateurs, they will often conduct false flag[31] operations pretending to be victims of a given developer's “scam” and at times appearing to blend into a community to destroy it from within. Does this sound far fetched? If anything, I’m being gentle, and the effect of trolls on cryptocurrency in general is measurable and quite strong.

Your job as a savvy investor is to be able to separate the legitimate information about a coin you are researching (complaints, etc.) from the white noise delivered by trolls. This is what you need to know:

Professional Trolls do this for a living, so they are required to maintain a set number of hours per day trolling, or a set number of posts; this makes them easy to spot, merely check their *posting history* on whatever forum you happen to be on, they will have page after page of content spread over just a handful of threads and 99.99% of it will be FUD. That’s the key.

Trolls also maintain business hours and have off days; it is often easy to spot what time zone they are on based on the days and hours FUD slows down (or completely stops) on a given thread. Another good way to tell them apart is community response. Communities tend to welcome any and all legitimate questions, even if they go against their vested interests; if you ask a straightforward question you will get a straightforward answer. Trolls, on the other hand, will generally get as good as they give, and the community in general will be antagonistic to them; don’t let this put you off. Communities tend to develop a sort of PTSD from long term trolling, but the upside to you as an investor doing research, is that the way a community reacts to trolling will tell you something about their cohesion, momentum, and belief in the value of their coin and team.

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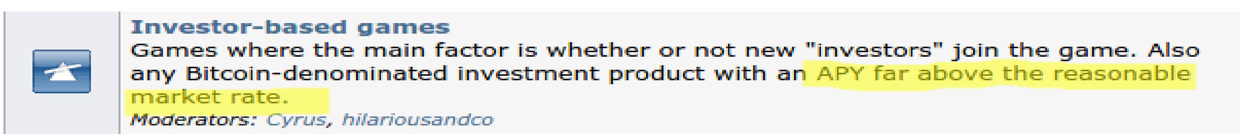
31 https://en.wikipedia.org/wiki/False_flag

2. **<u>Guaranteed Pricing</u>**: Sometimes a developer will offer a “floor” pricing for their coin, a price at which they will always gladly take all comers and reimburse them a fixed amount per unit, guaranteed. This was one of the main selling tools used in the Paycoin [32] fiasco.

I can not stress enough how important it is for you to stay away from any coin or developer who offers a guaranteed buy back price for their coin; this is unequivocally a scam, most likely a Ponzi scheme[33]. It is impossible for anyone, either in the real world or in crypto, to guarantee the price of a security for the simple reason that stuff happens and markets are unpredictable. If there were a guaranteed way to prop up currencies or securities, we would not have the stock market boom and bust cycle that hits us every ten years or the credit crunches sovereign nations get into periodically.

Another way to mask this scam is to frame it in terms of a security, where your price today will be “X” but your buyback price “Z” days from now will be “$X+$Y”, this can also be framed as “$X+Y%”. The addition of a liquidation date implies that the money will be “invested” and that the lender will receive a “share” as interest for the loan. Do not fall for it, particularly in crypto at this stage, these securities are not worth the paper they are printed on, yet these schemes pop up periodically and people still fall for them. These scams are so common, Bitcointalk.org even has a subforum for them under “Gambling”.



[34]

[35]

3. **<u>Good Practices:</u>** It is important for you to be aware of and execute good practices when dealing with crypto. This book is dedicated to selecting investments and not to

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32 https://www.cryptocoinsnews.com/paybase-announces-guaranteed-20-paycoin-repurchase-agreement/

33 https://en.wikipedia.org/wiki/Ponzi_scheme

34 https://bitcointalk.org/index.php?board=56.0

35 https://bitcointalk.org/index.php?board=207.0

securing wallets, so that is what I will stick to, but this is definitely something you should be aware of.

A developer should always sign releases with his PGP[36] key. You can then verify the software you are downloading using his Public Key, the wallet.zip and the PGP signature using a service like this[37] one. The process is pretty straight forward and you should be able to get a handle on it pretty quickly if you are not already familiar with PGP.

The reason this is so important is to be sure that the wallet file you are downloading has not been intercepted and/or replaced by a third party. When dealing with crypto, you are dealing with money; if a clever hacker is able to penetrate your developers server it is trivial for him to replace the wallet download with his own version, designed to send him all your coins once you decrypt your wallet. Which brings me to our next point, wallet security.

One of the innovations you should be on the lookout for are wallets (or whatever replaces them), that make the crypto experience both more transparent and more secure for your average internet user. There have long been discussions in this vein but crypto is as complicated and hard to secure as ever. A disruptive technology in this space is something to watch for.

As an important side note, you should always use whatever tools your coins developer has provided to help you secure your coins; in most cases, this will include wallet encryption. Set a strong password, write it down somewhere safe, and never share it with anyone.

4. **A Development Roadmap:** This is pretty straightforward, any good coin should periodically release an updated “Roadmap” for the mid to short term. Good roadmaps contain measurable goals and due dates for these goals. A good goal would be “release transaction obfuscation upgrade by June 15”; a bad goal would be “Make coin anonymous in the future”.

The roadmap should be made public. Be suspicious of any coin that claims not to release a roadmap for “security reasons" or fears they “will be copied.” Road maps are statements of purpose, not code; it is perfectly reasonable to keep code under wraps for a given period of time (to prevent a clonecoin from scooping your coins release) but it is unacceptable to not state what your intentions and goals are for the next several months. Below, I am posting part of the development roadmap for Vanillacoin for the upcoming 4 months; notice how it fits most of our criteria.

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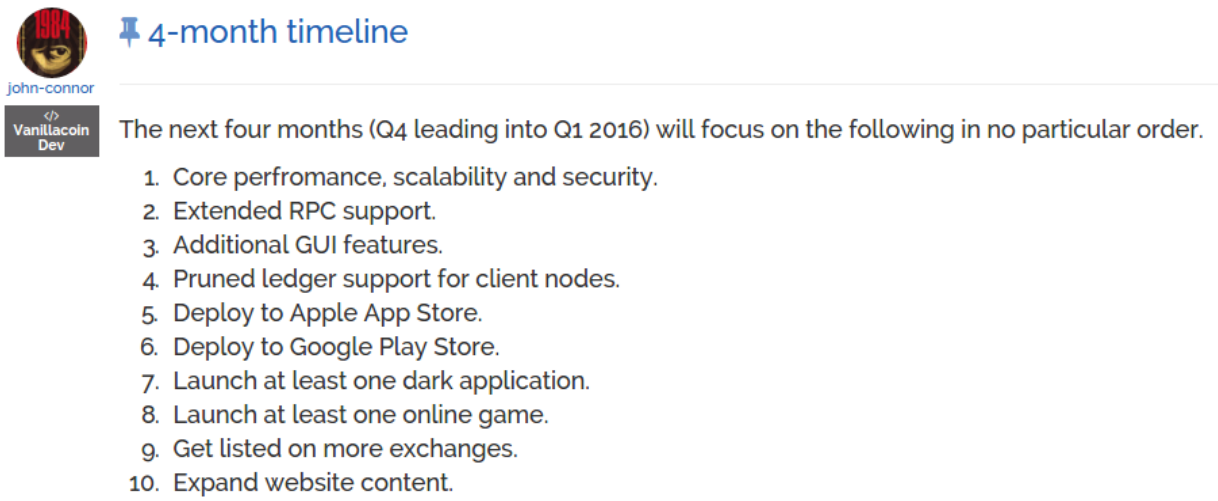
36 https://en.wikipedia.org/wiki/Pretty_Good_Privacy

37 https://www.toolsley.com/verify.html



4-month timeline

The next four months (Q4 leading into Q1 2016) will focus on the following in no particular order.

1. Core perfromance, scalability and security.
2. Extended RPC support.
3. Additional GUI features.
4. Pruned ledger support for client nodes.
5. Deploy to Apple App Store.
6. Deploy to Google Play Store.
7. Launch at least one dark application.
8. Launch at least one online game.
9. Get listed on more exchanges.
10. Expand website content.

[38]

5. **<u>GUI and Binaries:</u>** The availability of a Graphical User Interface (GUI); and binaries (installers) for easy setup, is something to look out for from day one. Very early stage coins may need to be compiled from source, this is usually explained by developers as a necessary shortcut in order to speed up release of their coins; this is generally a falsehood.

These developers are counting on the inability of your average user to go through the relatively (for a novice) involved process of compiling a piece of software with myriad dependencies on a variety of systems. This is done to minimize the number of miners on launch day and thus take advantage of the smaller pool of players to mine as many coins as possible.

Binaries on at least one of the big 3 operating systems (Mac OS, Windows, or Linux) should ideally be provided on launch day. Keep in mind most developers will not do this for the reasons outlined above, but it is nonetheless an excellent indicator of good faith when it is done.

The other key component is the GUI. The GUI is the wrapper which allows you to interact with software visually, as opposed to through a command line interface (CLI). A GUI should also be provided on launch day as most people are not proficient enough to interact with wallet software through a console. Developers will neglect to provide GUI's for the same reasons as outlined above.

Keep in mind that a developer is not obligated to provide a GUI or Binaries for ALL operating systems, but they should provide it for at least one. WIndows is usually the OS of choice because it is the most widely available.

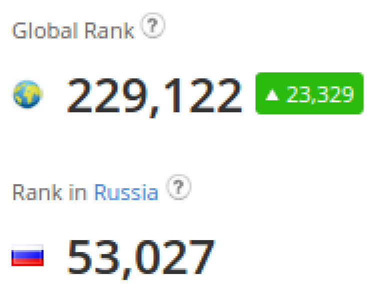
[38] https://talk.vanillacoin.net/topic/221/4-month-timeline4

It is a bad sign if no GUI or Binaries are provided for your system after a few days or a couple of weeks at most; it is unconscionable for any period longer than that. One possible argument for this would be that the developer is trying to keep Alpha stage software to a select minimum of users, but this will give a grave advantage to those early users and miners over the general public and is an underhanded way to conduct a type of pre-mine.

You should be aware of these issues from your pre-launch research, and you should monitor the software provided and the quality of the distribution and factor this into your analysis of a particular coin. This should not completely turn you off a particular coin, as an unfairly mined coin can reach fair distribution over time, but it is a red flag to watch out for in the early stages.

6. **Website:** You should be conscious of website statistics for key web pages associated with your coin. The one I like to keep track of is the coins home page (not thread), or any other key website where people go to do research on your coin.

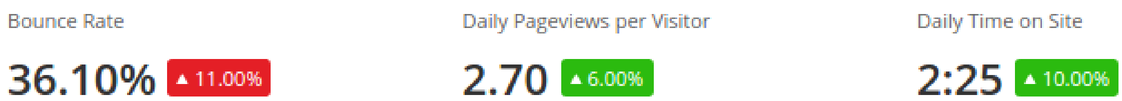
Please note that this is different from “thread activity” that we looked at earlier; thread activity mostly shows you how active community members are, people who already understand the basics of your coin. This is aside from a percentage of new users who pop in to ask questions. Statistical information on introductory pages for your coin show you whether the stream of new users investigating your coin has likely gone up or down, whether you have a high bounce rate, high page views, etc. Alexa.com is a good place to gather this information. [39]

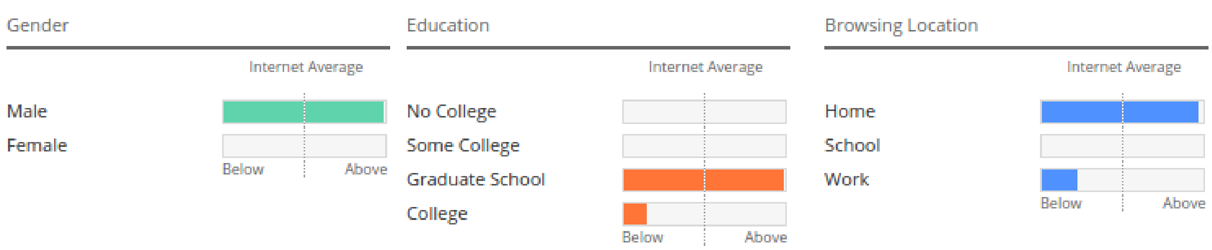


[39] Alexa.com

From the information presented here you can see that this altcoin is rising in the monthly rankings, has a relatively low bounce rate as well as climbing page views, which indicate user engagement; all in all, not bad.

Alexa can give you a wealth of valuable information, even breaking down a given web page's audience demographically; although not as valuable as web page rankings, bounce rate and page views, every tidbit can help you gain a sense of what stage of development your coin is in, and whether it is expanding or contracting.





7. **Global Node Count:** For most coins, nodes[40] are merely full (core) clients, which run a complete copy of the Blockchain and which are kept running; what this does is secure the network by adding yet another full copy of the block chain which transactions can be checked against, and have all other nodes broadcasts checked against itself.

This is an important indicator because it reflects the health of the network, but it has to be taken in context with a coin's given stage of development. When a new coin is launched, the developer will likely “seed” 2 or more nodes onto the network to help validate initial transactions, as more nodes are added onto the network, they will each add a level of safety. I would say that within a few weeks of launch, you should see no less than ten nodes, and within a few months or so, you should see no less than a few hundred nodes on the network and slowly climbing (not falling). Of course the more nodes you see on the network, the better.

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40 https://en.bitcoin.it/wiki/Full_node

Nodes are easy to view on blockchain explorers such as this one[41] (just click on the name of your specific coin and scroll down as seen below), although this information may not be tracked for all coins. If you have any issues you should be able to find what you are looking for by simply Googling "'Coin-Name Node Count".

Nodes all/active	7255 / 885

[42]

Node count should only go up as new adopters start to run full nodes themselves, only once your coin starts reaching maturity, should you expect node count to stabilize as the network consolidates. Thus, node count is a good indicator of adoption, and something to consider when looking at an altcoin for the first time.

<u>8. The Bleeding Edge:</u> Finally, a note about investing in the "bleeding edge". Several coins have sprouted claiming to be Bitcoin 2.0; recent ones include Ethereum (which is very popular right now), Bitshares, and many, many others. I am loath to make investments in these coins; let me tell you why.

Bitcoin is a straightforward idea, it is a decentralized means to transfer value between parties across the internet. If it weren't for the "decentralized" part, it would in no way be innovative, it would be just another online remittance service. When you start talking about Bitshares for example, you start talking about "securitized commodities," "futures contracts," etc. and it all makes me uncomfortable because it is all too much, too soon. These 2.0 cryptos require adoption by industrial actors, at a yet unseen scale, and my personal opinion is that we are not there yet. Ethereum seems to be making serious inroads these days, but I am still unconvinced.

I believe in investing in what I can understand; and frankly, I often have to sit down for a couple of hours and sift through these "2.0" coins forums, to wrap my head around what they are doing. The first time I heard about BItcoin, I understood its core principle intuitively, it's "money". Money that can't be confiscated and which can be sent around the world, in a nano-second.

The simplest idea is often the most revolutionary, let's succeed in re-inventing money, that is a big enough goal, then we can reinvent everything else. So my advice to you is that you stay away from "2.0" companies that are trying to reinvent everything from the way contracts are made to the way we vote in our democracies, all at once; let's focus instead on those that improve on Bitcoin's original goal of creating trustless

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41 https://bitinfocharts.com

42 https://bitinfocharts.com/litecoin/

money. I would argue that this is where the future lies. Focus on currency features, stay away from complex “business” features; at least for the time being.

Golden Rule: Always use your common sense and try to gather as much information as possible before you commit to a coin. Try to get feedback from as many places as you can, including the coin specific forums and Bitcointalk.org.

Final Thoughts:

Throughout this book, I have tried to point out to you the most valuable signals I have identified, to help me gauge a coin's long term potential in my own investments; the rest, is up to you. I can not tell you how these signals will come together for you in a particular coin, because of the sheer number of new coins that come online each week, and amazingly varied aims and backgrounds of each of these new crypto developers. I can leave you, however, with one final piece of advice, a last “Golden Rule”:

Golden Rule: Be skeptical, and trust yourself, especially when something isn’t quite right; 99 times out of 100, you won’t be missing much anyway.

I hope you have enjoyed this book, please take a moment to leave a review, and don’t be afraid to reach out to me if you have any doubts or comments; I can be reached at: Pablo@Pablo-Lema.Com; use the subject “Crypto Book” and I will be happy to get back to you as soon as I can. I am always happy to lend a hand with anything you may need related to my method.

May you have a profitable day,

Pablo.

Thanks

I would like to thank my friends Splawik21, InTheWoods, Supereaude, Sub-Ether, and Nmarley, for their help in developing this book, and for providing valuable feedback.