

MAJANDUSAASTA ARUANNE

aruandeaasta algus: 13.08.2015

aruandeaasta lõpp: 31.12.2015

ärinimi: Forecast Foundation OÜ

registrikood: 12894333

tänavaja talu nimi, Tornimäe tn 5
maja ja korteri number:

linn: Tallinn

maakond: Harju maakond

postisihtnumber: 10145

telefon: +1 3093634600

e-posti aadress: team@augur.net

veebilehe aadress: www.augur.net

Sisukord

Tegevusaruanne	3
Raamatupidamise aastaaruanne	17
Bilanss	17
Kasumiaruanne	18
Rahavoogude aruanne	19
Omakapitali muutuste aruanne	20
Raamatupidamise aastaaruande lisad	21
Lisa 1 Tööjõukulud	21
Aruande allkirjad	22



2015 Annual Report

The Forecast Foundation OÜ

2015 Annual Report

Content

Overview	5
Organizational Structure	6
A Momentous Year	7
Navigating Challenges	12
The Road Ahead	17

Annual Report Overview

The non-profit Forecast Foundation OÜ is dedicated to the development of an open, decentralized platform for prediction markets (the “Augur Project”) and to the promotion of decentralization and prediction markets as social goods.

Augur is currently scheduled for deployment later this year. It is designed to allow anyone from anywhere to create or speculate in a prediction market about any topic without counterparty risk, principal-agent problems, central points of control, failure or censorship or any such hazards of human influence.

Built as both a decentralized application (dAPP) and organization (DAO) on the Ethereum cryptocurrency network, Augur will leverage the “Wisdom of Crowds” (“collective intelligence”), market incentives and peer-to-peer technologies such as the blockchain to 1) securely generate a robust array of better forecasts about future events of widespread interest as the world’s best “Early Warning System” and 2) bring greater transparency and more robust communication of knowledge to a world drowning in uncertainty, obscurity, data overload and disinformation.

Organizational Structure & Focus

The group was run largely as a “flat” start-up organization up until around the end of the crowdsale, making most executive decisions by team consensus. After the crowdsale, in part to more efficiently adapt to new requirements and needs, it shifted toward a more traditional, hierarchical structure, led by the developer/operations group.

Augur’s main areas of focus include: development of the software platform, management of legal and regulatory issues, marketing and outreach. The most significant investments have been in programming, research and development and marketing/outreach, with programming, legal and regulatory aspects growing in budget share and marketing/outreach diminishing in share ahead of the platform’s full deployment.

The Foundation is a non-profit organization and has no profit (dividend) distribution policy.

Core Developers: Jack Peterson and Joey Krug

Developers: Ryan Garner, Tomas Priecinsky, Baz Karam, Petr Baudis

Platform Design: Carl Wolfenden

Marketing: Tony Sakich

Special Operations: Peronet Despeignes

2015: A Momentous Year

2015 began with a newly assembled team driven by a purpose: to build the world's first-ever decentralized prediction market platform. 2016 begins with a promise: to finish the job.

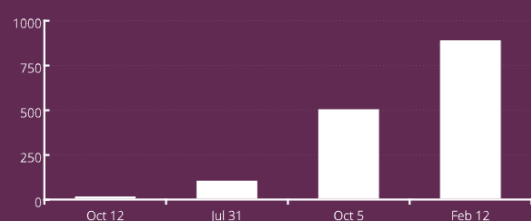
Toward that end, the Foundation achieved a number of record-shattering milestones unprecedented in the history of cryptocurrency projects or prediction markets. We made significant progress not only in the buildout of the Augur platform; we also furthered the vision of prediction markets as a powerful forecasting tool that could do this troubled world some good.

From the start, reputable advisers with widespread recognition and respect from within and outside the cryptocurrency community were recruited into the organization - enhancing its base of knowledge, wisdom, reputation and clout. These advisers included Ethereum founder Vitalik Buterin, New York Law School Professor and financial-market regulation expert Houman Shadab, InTrade CEO Ron Bernstein, Bitcoin uber-entrepreneur and thought leader Erik Voorhees and prediction market thought leaders Abraham Othman and Robin Hanson.

Through 2015, members of the team fanned out to multiple locations worldwide to present the concept. Settings included Tokyo, Beijing, Luxembourg, Zurich, London, Amsterdam, Berlin, San Diego, Madrid, Boston, Atlanta, Manhattan, San Francisco and Barcelona, with additional appearances planned for fintech conferences in Dubai and Kenya. Audiences have been receptive, with discussions frequently extending beyond scheduled wrap-up times into walkouts back to parking lots.

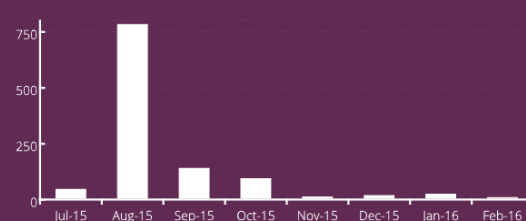
The Foundation's engagement with the community of cryptocurrency enthusiasts was unprecedented. There was (and continues to be) direct developer engagement with interested parties on Reddit, Slack, Twitter and other social networks, as well as through Tawk online support freeware.

Reddit Subscribers, 2015-16
Source: RedditMetrics



<http://redditmetrics.com/r/Augur>
Note: doesn't include lurkers

Online Support Inquiries/Conversations
Source: Tawk



<https://dashboard.tawk.to/?lang=en>

Particularly noteworthy was core developer Joey Krug's almost-daily, nearly-round-the-clock engagement with the Reddit Community, even through demanding development schedules and deadlines.

Joey lodged more than 1000 Reddit posts, comments and replies (and counting: <http://reddit.com/u/joeykrug>) over the past year, many of them extensive, comprehensive explanations of various aspects of the evolving system.

Profile Information			
Name: joeykrug Created: 12/11/2013, 7:42:29 AM (793 days ago) Link Karma : 707 Comment Karma: 1556 Reddit Gold: No Reddit Gold Trophy: No Subreddit Moderator: Yes Trophies:			
Subreddits			
Subreddit	Total	Total Submissions	Total Comments
Augur	593	38	555
ethereum	314	30	284
Bitcoin	148	15	133
ethtrader	14	0	14
Stablit	6	0	6
technology	3	1	2
Futurology	3	0	3
todayilearned	2	2	0
Anarcho_Capitalism	2	0	2
reptrader	1	0	1
sports	1	1	0
Showerthoughts	1	1	0
JesusCoin	1	1	0

This ready access to the Augur team greatly enhanced trust and confidence in the Project and helped to counter indiscriminate criticism cryptocurrency projects through 2015. This was a critical factor in the success of the August-to-October crowdsale, which is discussed in more detail below.

In April, Augur registered the first “on chain” event of any third party application on the Ethereum network. In May, Augur produced what remains the most popular YouTube video on prediction markets to date (<https://www.youtube.com/results?q=prediction+markets&sp=CAM%253D>), registering around 200000 unique views. In June, it completed and unveiled the alpha version of the platform to the general public.

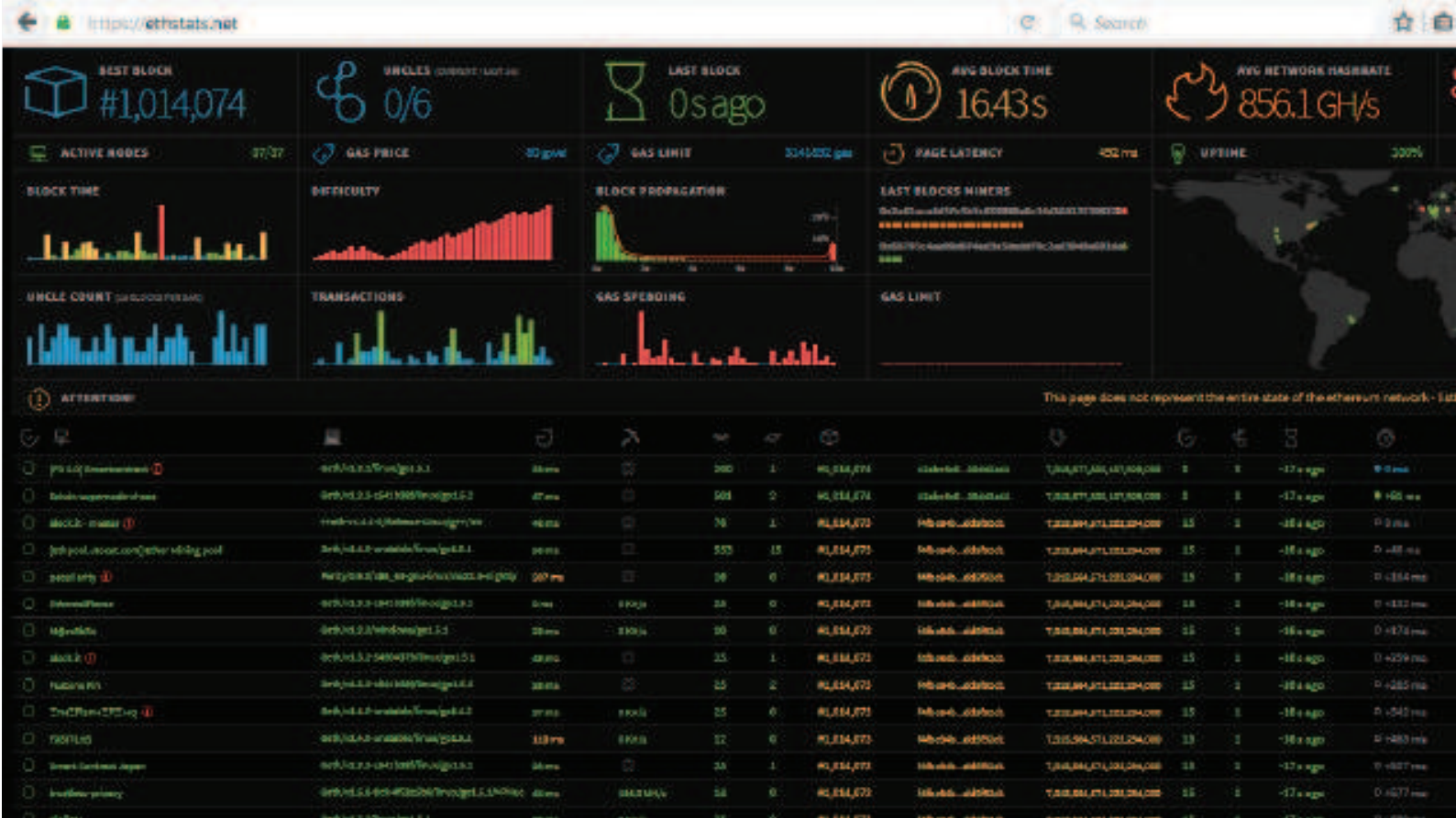
The screenshot displays the Augur Alpha release interface. At the top, a green banner reads "Welcome to the Augur Alpha release!" with a sub-message: "This release showcases the basic features of our decentralized prediction market. It's by no means feature complete and certainly prone to bugs. Tell us what you think and report any issues you have using the 'Feedback' link below." Below this, the "Trending Markets" section shows three active markets:

- Will Rand Paul win the 2016 U.S. Presidential Election?** (42.99% price, 0.429 price, 2% fee, end date Dec 29th, 2016)
- Will the Sun turn into a red giant and engulf the Earth by the end of 2015?** (100% price, 1.000 price, 2% fee, end date Dec 28th, 2015)
- Will another Western government scalp its citizen's bank accounts, Cyprus-style** (100% price, 1.000 price, 2% fee, end date Dec 28th, 2015)

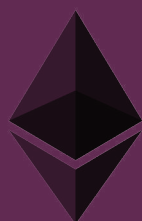
The "Current Holdings" section lists various positions:

- 0% Will the Sun turn into a red giant and engulf the Earth by the end of 2015? (1.000 NO)
- 100% Will the Sun turn into a red giant and engulf the Earth by the end of 2015? (1.000 YES)
- 57.999 Will Rand Paul win the 2016 U.S. Presidential Election? (0.429 NO)
- 43% Will Rand Paul win the 2016 U.S. Presidential Election? (1.151 YES)
- 5% Will it rain in New York City on November 12, 2015? (1.000 NO)
- 96% Will it rain in New York City on November 12, 2015? (1.180 YES)
- 100% Will the Larsen B ice shelf collapse by November 1, 2015? (0.000 NO)

The left sidebar shows the user's profile (joeykrug) and their balances: CASH (168.4736), REPUTATION (47), and ETHER (999.661.8964). The bottom section shows the user's Ethereum account details, including their client (Geth/v0.9.39-54810750/linux/go.L42), host (poc3.com:8548), peers (64), blocks (894022), miner (off), gas price (1.1513 s2e80), and block time (Jul 19th, 11:29).



Source: <https://stats.ethdev.com/>



The Ethereum network went live with its preliminary “Frontier” stage late last year. It amassed more hashpower in its first two weeks than the bitcoin network did in its first two years. It has since grown past 700 GigaHash per second (GH/s). The Ethereum network now ranks second, just after bitcoin, in “market capitalization” and 24-hour trading volume.

In recent months, several corporate initiatives (including those led by IBM, Microsoft and R3) have announced their own investigations into Ethereum’s potential business applications. This further validates the Foundation’s decision. Meanwhile, the bitcoin community has become mired in internecine squabbles over scalability, concern over its rate of innovation and adaptation and media characterizations that the network has become increasingly centralized, stagnant, “damaged goods.”

For the Augur Project, success could bring its own challenges. The number of prediction markets on the Augur platform requiring reporters could grow significantly faster than the population of reporters and their capacity to handle them all. The Foundation worked out a general plan for addressing reporter-related scalability issues that, among other things, involves the imposition of market-driven rationing of reporter availability (<http://www.augur.net/blog/scaling-augur-part-2-a-roadmap>).

As a longer-term supplement to this plan, the Foundation initiated an independent, open-ended R&D initiative, codenamed ARGUS: an Artificial Intelligence project involving Natural Language Process intended to eventually serve as a helper/assistant system that pre-fills ballots during reporting

periods for reporters to either validate or reject. This could massively extend the system's scalability, reducing reporting workloads. That could be critical: our ambition is for Augur to become the world's next big financial market platform and to host thousands of prediction markets with various topics.

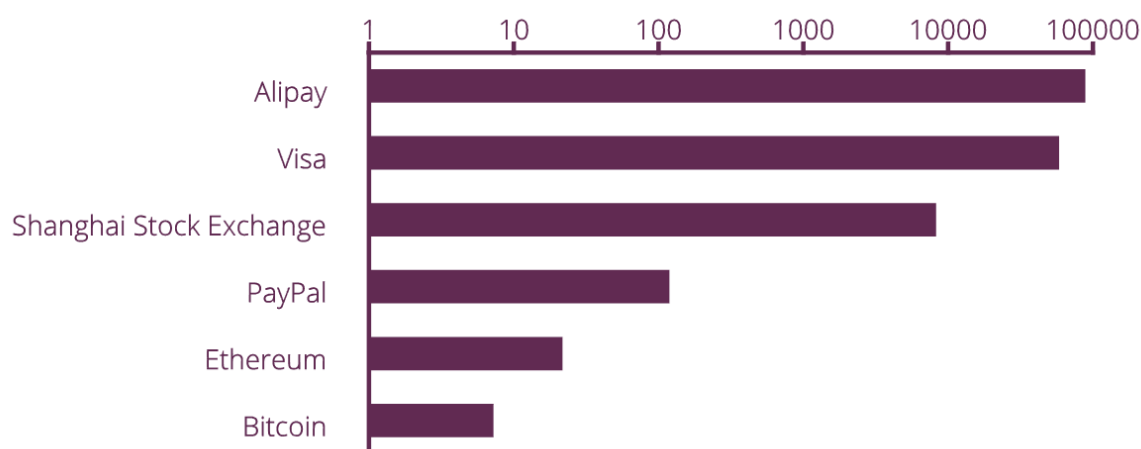
The system could also scale itself thanks to a positive feedback loop between market forces and Augur's system design. As the platform's market volume grows, so will the flow of trading fees to reporters. If we assume markets are fairly efficient in processing information and factoring future cash flow projections into current prices (in other words, discounting the net present value of future revenues), then REP token prices should rise in tandem with expectations about Augur's future growth. Holders will be encouraged to sell more of their holdings. This is similar to the experience of bitcoin, ether and other cryptocurrencies: REP holdings will tend to be redistributed over time from "early adopters" to a wider population of holders (reporters). In this way, the system adapts "organically" to demand for its services.

Augur faces the current transaction bandwidth limitations of cryptocurrency networks. Bitcoin can only handle a theoretical maximum of 7 transactions per second (as little as 3 transactions per second under real-world conditions). Ethereum is somewhat better at approximately 21 transactions per second (tps), but both of these figures are far below the capacity levels of world-class financial networks. Paypal can manage at least 114 tps, Western Union 300, the NYSE roughly the same and Visa more than 50 000 tps.

To support Ethereum's evolution toward becoming a network competitive with existing global financial networks in speed and transaction bandwidth, Augur contributed resources and dev help to an ongoing research and development initiative to transition Ethereum from a system reliant on proof of work (POW) to establish network consensus to one using proof of stake (POS). An eventual transition to a POS system will help Augur achieve world-class financial network behavior – very likely superior to existing financial networks in that clearance and settlement occur simultaneously on cryptocurrency networks, but serious technical issues and tradeoffs between security and speed remain to be resolved.

Network Bandwidth: Transactions Per Second

Sources: Various*

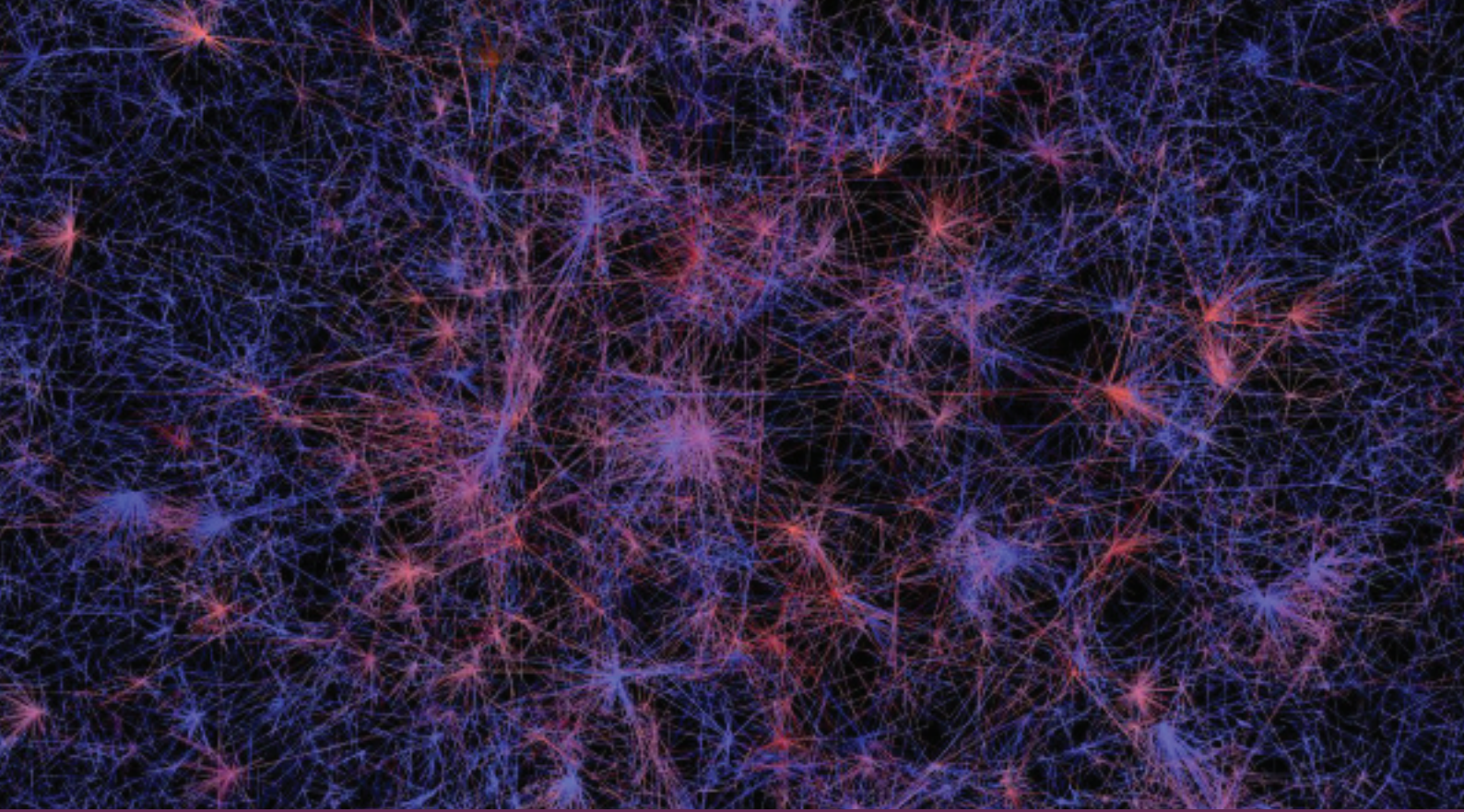


Logarithmic Scale

* Visa: <http://visatechmatters.tumblr.com/post/108952718025/56582-transaction-messages-per-second>;

Paypal: <https://web.archive.org/web/20141226073503/https://www.paypal-media.com/about>;

Shanghai Stock Exchange: "China's Financial Markets: An Insider's Guide to How the Markets Work" by Salih N. Neftci and Michelle Yuan Menager-Xu; Ethereum: <https://plus.google.com/+EthereumOrgOfficial/posts/6Z1AetVsDNY>; Bitcoin: <http://bitcoincharts.com>



As... technologies make... prediction markets and financial markets decentralized and therefore not easily regulated, policymakers might find that legalizing and normalizing these activities, along with promoting education, may yield better public policy outcomes than trying to wage losing battles.... some of the rationales for regulation no longer apply in a decentralized and disintermediated context... regulations are often aimed at protecting consumers by attempting to eliminate information asymmetries, but because decentralized peer-to-peer exchanges have no intermediaries, and because they are inherently public and transparent, there can be no such asymmetry.

“Bitcoin Financial Regulation: Securities, Derivatives, Prediction Markets, and Gambling”

By Jerry Brito, Houman B. Shadab & Andrea Castillo

January 15, 2015

Augur faces an uncertain regulatory environment, particularly in the US and Europe. It is unclear to what extent it falls under betting and gambling laws that govern centralized prediction markets in some jurisdictions or how Augur can — and will — be characterized by regulators and the courts. The model of decentralized markets is a new paradigm. It defies traditional legal definitions of a financial market and lacks many of its traditional characteristics — including human custodians, counterparty-risk, principal-agent problems — that led to the creation of many regulations in the first place. Augur will have no central authority, no nexus and no human custodian of any other human being’s funds. As a global, peer to peer network, the platform exists “everywhere, yet nowhere.”

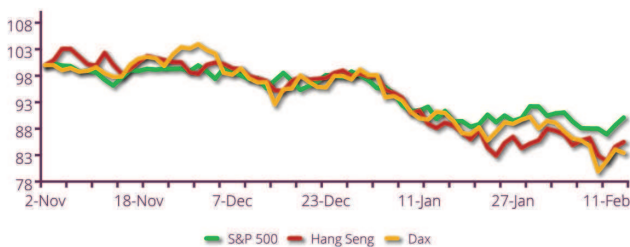
Some jurisdictions show signs of eventually embracing the model and welcoming the opportunity for new industry, innovation and job creation. Others, including incumbents with vested interests in status-quo systems, appear to be drifting in the other direction. Augur is intensifying year-long efforts to engage regulators, policymakers, American presidential campaign advisers in all parties and incumbents. Just two examples are presentations Augur representatives have had with members of the European Commission in Luxembourg and US congressional agricultural committee members (which oversees derivatives markets regulation) in Washington, D.C. Our outreach to these groups is no different than community outreach before, during and after the crowdsale: the Foundation remains available to`

discuss the Project with any and all interested parties, including prominent financial institutions whose involvement could give the Project significantly greater clout.

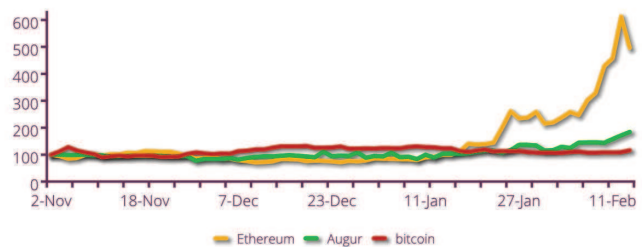
A challenge facing the entire cryptocurrency industry is the level of mainstream adoption required to make projects viable and sustainable. To that end, Augur continues to reach out to all parties and focus intensively on the platform's functionality, usability and user-friendliness. That includes leveraging syndication and network effects by making our third-party API (<http://docs.augur.net>) public. This will allow an unlimited number of third parties to tap Augur's functionality and data to power their own customized applications. Anyone will be able to use Augur's platform as a back end to "whitelabel" their own customized applications adapted to their target market preferences and conditions. Augur will benefit from wider exposure, localization and the greater volume this will bring to the system.

Another potential challenge to the platform was posed by the darkening economic and financial climate and increasing volatility in political systems across the West. As Augur proceeded with post-crowdsale development, financial market conditions in Europe continued to deteriorate. Asia through early 2016 witnessed its biggest equity market drops since the 1997-98 regional financial crisis. China, which had been a force for stability during the 1997-98 regional crisis and the 2007-08 global market collapse, currently leads the plunge. It is experiencing the most serious crisis of confidence in its financial system since Deng Xiaoping pushed market reforms in the 1970's and his successors extended those reforms in earnest through the late 1980's. US and European markets have been hit hard.

The "Old" World?
Source: YahooFinance



The "New" World?
Source: Crypto-Currency Market Capitalizations and Bitcoin Charts



Index: 100 = Index level on November 2, 2012

But like so many challenges faced by Augur over the past year, this presents an opportunity - not just for Augur, but for every participant in the cryptocurrency space. A hint of this is revealed by bitcoin's relative price stability and the sharp surge in the prices of both gold and ETH through the depths of the global financial rout. It reflects, in part, a widening and deepening disdain for and lack of confidence in elites and traditional financial, economic and political structures — one of the important catalysts behind the birth of the nascent cryptocurrency movement. We expect more mainstream users will become receptive, or will actively seek, alternatives to the status quo. We believe these conditions will lead more people to crypto generally and to Augur in particular.



Forecast Foundation

Tornimäe tn 5, Kesklinna linnaosa, 10145, Tallinn linn, Harju maakond, Republic of Estonia
augur.net team@augur.net

Raamatupidamise aastaaruanne

Bilanss

(eurodes)

	31.12.2015	13.08.2015
Varad		
Käibevara		
Raha	805 356	0
Kokku käibevara	805 356	0
Põhivara		
Immateriaalne põhivara	2 500	2 500
Kokku põhivara	2 500	2 500
Kokku varad	807 856	2 500
Kohustused ja omakapital		
Omakapital		
Osakapital nimiväärtuses	2 500	2 500
Aruandeaasta kasum (kahjum)	805 356	0
Kokku omakapital	807 856	2 500
Kokku kohustused ja omakapital	807 856	2 500

Kasumiaruanne

(eurodes)

	13.08.2015 - 31.12.2015	13.08.2015 - 13.08.2015
Müügitulu	914 076	0
Mitmesugused tegevuskulud	-5 057	0
Tööjõukulud	-15 002	0
Kokku ärikasum (-kahjum)	894 017	0
Intressikulud	-88 661	0
Kasum (kahjum) enne tulumaksustamist	805 356	0
Aruandeaasta kasum (kahjum)	805 356	0

Rahavoogude aruanne

(eurodes)

	13.08.2015 - 31.12.2015	13.08.2015 - 13.08.2015
Rahavood äritegevusest		
Laekumised kaupade müügist ja teenuste osutamisest	911 575	0
Väljamaksed töötajatele	-15 002	0
Makstud intressid	-88 660	0
Muud rahavood äritegevusest	-5 057	-2 500
Kokku rahavood äritegevusest	802 856	-2 500
Rahavood finantseerimistegevusest		
Laekunud aktsiate või osade emiteerimisest	2 500	2 500
Kokku rahavood finantseerimistegevusest	2 500	2 500
Kokku rahavood	805 356	0
Raha ja raha ekvivalentide muutus	805 356	0
Raha ja raha ekvivalendid perioodi lõpus	805 356	0

Omakapitali muutuste aruanne

(eurodes)

										Kokku
	Osakapital nimiväärtuses	Registreerimata osakapital	Ülekurs	Oma osad	Kohustuslik reservkapital	Muud reservid	Sissemaksmata osakapital	Muu omakapital	Jaotamata kasum (kahjum)	
13.08.2015	2 500	0	0	0	0	0	0	0	0	2 500
Arvestuspõhimõtete muutuste mõju	0	0	0	0	0	0	0	0	0	0
Vigade parandamise mõju	0	0	0	0	0	0	0	0	0	0
Korrigeeritud saldo 13.08.2015	2 500	0	0	0	0	0	0	0	0	2 500
Aruandeaasta kasum (kahjum)	0	0	0	0	0	0	0	0	0	0
Emiteeritud osakapital	0	0	0	0	0	0	0	0	0	0
Muutused muudest omanike sissemaksetest	0	0	0	0	0	0	0	0	0	0
Makstud dividendid	0	0	0	0	0	0	0	0	0	0
Muutused muudest väljamaksetest omanikele	0	0	0	0	0	0	0	0	0	0
Muutused reservides	0	0	0	0	0	0	0	0	0	0
Muud muutused omakapitalis	0	0	0	0	0	0	0	0	0	0
13.08.2015	2 500	0	0	0	0	0	0	0	0	2 500
Arvestuspõhimõtete muutuste mõju	0	0	0	0	0	0	0	0	0	0
Vigade parandamise mõju	0	0	0	0	0	0	0	0	0	0
Korrigeeritud saldo 13.08.2015	2 500	0	0	0	0	0	0	0	0	2 500
Aruandeaasta kasum (kahjum)	0	0	0	0	0	0	0		805 356	805 356
Emiteeritud osakapital	0	0	0	0	0	0	0	0	0	0
Muutused muudest omanike sissemaksetest	0	0	0	0	0	0	0	0	0	0
Makstud dividendid	0	0	0	0	0	0	0	0	0	0
Muutused muudest väljamaksetest omanikele	0	0	0	0	0	0	0	0	0	0
Muutused reservides	0	0	0	0	0	0	0	0	0	0
Muud muutused omakapitalis	0	0	0	0	0	0	0	0	0	0
31.12.2015	2 500	0	0	0	0	0	0	0	805 356	807 856

Raamatupidamise aastaaruande lisad

Lisa 1 Tööjõukulud

(eurodes)

	13.08.2015 - 31.12.2015	13.08.2015 - 13.08.2015	Lisa nr
Palgakulu	15 002	0	
Kokku tööjõukulud	15 002	0	
Töötajate keskmine arv taandatuna täistööajale	3	3	

Aruande digitaalallkirjad

Aruande lõpetamise kuupäev on: 27.06.2016

Forecast Foundation OÜ (registrikood: 12894333) 13.08.2015 - 31.12.2015 majandusaasta aruande andmete õigsust on elektrooniliselt kinnitanud:

Allkirjastaja nimi	Allkirjastaja roll	Allkirja andmise aeg
JOSEPH CHARLES KRUG	Management board member	27.06.2016

Profit distribution proposal

(In Euros)

	31.12.2015
Annual period profit (loss)	805 356
Total	805 356
Distribution	
Retained earnings after distribution (covering)	806 356
Total	806 356

Profit distribution resolution

(In Euros)

	31.12.2015
Annual period profit (loss)	805 356
Total	805 356
Distribution	
Retained earnings after distribution (covering)	805 356
Total	805 356

Müügitulu jaotus tegevusalade lõikes

Tegevusala	EMTAK kood	Müügitulu (EUR)	Müügitulu %	Põhitegevusala
Muu tarkvara kirjastamine	58291	914076	100.00%	Yes

Osanikud

Nimi / ärinimi	Isikukood / registrikood / sünniaeg	Elukoht / Asukoht	Osaluse suurus ja valuuta
Joseph Charles Krug	39507300012	United States of America	1250 EUR
Jack Peterson	38209240077	United States of America	1250 EUR

Sidevahendid

Liik	Sisu
Cellular phone	+1 3093634600
E-mail address	team@augur.net
Website address	www.augur.net