

INTRODUCING PHASE X

(Founder Rewards)

Three new token reward incentives to thank you for joining us in our early stages:

1. **Founder Bonus:** An additional 10,000 XNET Tokens are given to the first 5,000 Felix and Lucius nodes deployed and registered in designated clusters (in addition to the Registration Bonus).

**total of 20,000 XNET tokens; subject to 12 month lock-up*

2. **Epochs:** Bi-weekly earning periods for coverage and validation rewards. Epoch-derived rewards are unlocked and available immediately.

3. **Staking Bonus Rewards:** Staking rewards are earned per Epoch on staked founder and registration tokens and will fluctuate based on the total number of nodes online. Staking bonuses are unlocked and available immediately.

**Staking bonuses are subject to slashing based on coverage and validation checks done by XNET*

Phase X - Founder Rewards

We thank you for joining this amazing ride and supporting XNET in its initial stage, Phase X, of our network build-out. Today we are excited to announce extensions of the token rewards available for all who participate early on in building our network.

We are introducing an additional Founder Bonus equal to the Registration rewards for both the Felix and Lucius units. This will mean that operators of Felix and Lucius nodes will get 10,000 Registration tokens +10,000 Founder tokens upon registering their nodes. Both the Registration and Founder Bonus will still be subject to a 12 month lockup schedule.

This effectively doubles the initial rewards for deploying and registering a Felix or Lucius node.

Based on specific community feedback, we will also be providing additional unlocked tokens to early adopters to allow operators to manage associated real estate, backhaul, and electricity costs. This will be introduced through new rewards for staking during Epoch periods, based on the staked number of tokens, and by a multiple associated with coverage and validation metrics, and the total number of nodes online in the network.

Epochs

Many of the rewards that operators earn are released in what is termed an *Epoch*. The time period constituting an Epoch is defined as bi-weekly, that is, **each Epoch lasts two weeks**.

While the Registration and Founder Bonus rewards will be subject to a 12 month lock-up period, rewards generated during epochs for coverage, validation, and data mechanisms will not be subject to any lock-up period. The Registration and Founder Bonus tokens will be considered staked for the purpose of the staking protocols as detailed below.

Staking

We are excited to announce more detailed staking schedules and how they correspond with an Epoch time period.

Token requirement:

Because the maximum reward that can be given in any Epoch (for coverage, validation and data) is one tenth of the staked tokens, this means that the minimum staked tokens will usually be 10x the anticipated Epoch rewards.

Example Scenario

An operator expects to generate 250 tokens during a defined Epoch period from coverage, validation and data rewards. The operator must have 10x or 2,500 tokens staked in order to get the maximum rewards.

The Epoch rewards calculator will determine the tokens awarded to properly functioning nodes at the end of a staking Epoch (based on coverage, validation and data metrics) to encourage meaningful deployments and good acting.

The rights to staking and associated rewards will be subject to slashing based on coverage and validation metric checks.

For a limited time, we will allow Lucius and Felix operators to stake up to 20,000 tokens. This allows us to use the Registration + Founder Bonus locked-up tokens as a staked pool. This will allow operators of these nodes the chance to earn an extended staking Bonus.

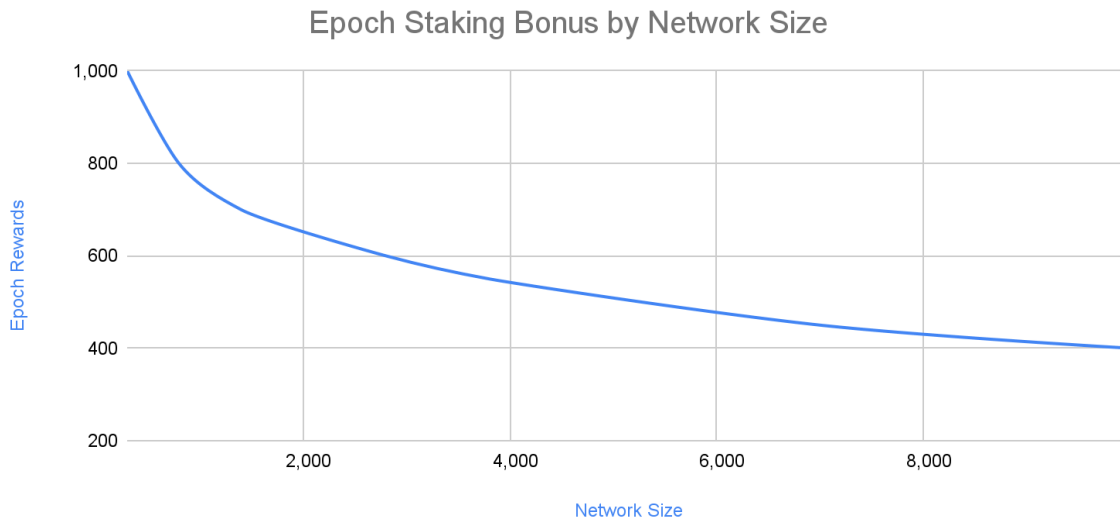
Staking Bonus

For Phase X deployments, a staking bonus will be awarded per Epoch which will decay over time. This will be based on the total number of nodes (online) in the entire network, and associated coverage and validation checks, which will be verified by XNET. These staking bonus rewards will be issued on each Epoch and will be entirely unlocked.

Number of Nodes (online)	Epoch Staking Bonus*
0-400	1,000
401-1,000	900
1,001-2,000	800
2,001-4,000	650
4,001-6,000	550
6,001-10,000	450
10,001+	400

Epoch Staking Bonus by Network Size (active nodes)

* Staking Bonus for a typical Felix or Lucius node with 20,000 staked tokens



The Registration and Founder Bonus rewards, which are locked up for 12 months, will be considered entirely staked for the purpose of the Staking Bonus rewards.

Operators of Felix or Lucius nodes will receive 20,000 tokens upfront, although these will be locked up for 12 months. They also receive 6,000 tokens, released unlocked, throughout the year for coverage and validation. In addition to that, they also receive approximately 15,000 tokens, released unlocked, throughout the year for this staking bonus (assuming a network growing to 6,000 nodes in the first 12 months).

Liquidity

We are aware that the operation of nodes is associated with certain costs tied with real estate, backhaul, and electricity. Rewards generated during an Epoch from coverage, validation, and data revenue will be considered unlocked and can be used by the operator as deemed appropriate for any incurred costs. The Staking Bonus rewards, released per Epoch, will also be unlocked (see theoretical rewards generated in an Epoch above).

Supply of \$XNET tokens

There is a capped total supply of \$XNET tokens of 24B. However, all of these tokens are not released immediately. In fact, most tokens are not released until the network grows to a very large size and there are significant amounts of data traffic.

Each year the circulating supply increases based on releases to operators (through the Operator and Ecosystem pools), the insiders, investors, and the foundation (see table below). However, at the same time, there is a reduction in the circulating supply based on the Data Burn token process; this is the acquisition of tokens by XNET from the open market to facilitate conversion into data tickets. These tokens are irrevocably burnt, reducing the possible circulating supply.

There are significant lockups for many of the pools of tokens, particularly for insiders and investors. This means that more than 95% of those tokens will be locked up till 2025 and released gradually after that.

The table below is a forward projection of token supply from 2022 till 2030. This is based on a number of assumptions and gives an indication of the possible circulating token supply over that period.

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Circulating Supply	16	184	713	3,494	5,820	8,436	10,743	12,516	14,712
% of Max Possible Supply	0%	1%	3%	15%	24%	35%	45%	52%	61%

**Projected Circulating Token Supply (000,000's)*

This table assumes a steady growth of the network from 2022 through 2030, rising to around 400k nodes in operation. A lower number of nodes in operation would mean a lower circulating supply. It also does not include the tokens that XNET will expect to burn because of data on the network. This amounts to 1.86B estimated tokens irrevocably burnt using the same model parameters.

Example reward structure for typical Felix or Lucius node

Assuming a typical deployment of a Felix or Lucius node, with proper operation (i.e. the node is positioned correctly, powered and with backhaul), then we can build some example upfront and Per Epoch and Per Month rewards.

As before, the upfront rewards are from Registration and from the new Founder Bonus rewards. This will be $10,000 + 10,000 = 20,000$ tokens assigned upon registration of the operating node. However, all of these tokens will be locked up (or considered staked) for one year.

For every Epoch (that is, every two weeks), there will be assigned coverage, validation, data and staking bonus rewards. If we assume that the network size grows linearly to approximately 6,000 nodes in the first 12 months of operation, then the weighted average per Epoch staking rewards (from the operator's staked 20,000 Registration and Founder Bonus pool) will be 629 tokens (see table: Epoch Staking Bonus by Network Size).

	Per Epoch	Monthly	Annual
Coverage Rewards	125	250	3,000
Validation Rewards	125	250	3,000
Data Rewards *	0	0	0
Staking Bonus **	629	1,258	15,096
Total	879	1,758	21,096

**Data rewards will come online once there are paid-for data contracts with MNOs and others.*

***Assumes a network size growing linearly to 6000 nodes in first 12 months, and assumes node is in good standing with coverage and validation checks*

This means that typically 879 tokens per Epoch, or 1,758 tokens per month, would be rewarded. Importantly, all of these tokens are unlocked. This allows operators to manage their cost coverage versus investment decisions using these tokens, leaving the registration and early adopter pool of tokens for investment, at least for one year.

This means that an operator of a Felix or Lucius node receives 20,000 tokens upfront, although these will be locked up for 12 months. They also receive 6,000 tokens, released unlocked, throughout the year for coverage, validation and data. In addition to that, they also receive approximately 15,096 tokens, released unlocked, throughout the year as a staking bonus. This means that an operator of a Lucius or Felix node can expect to earn around 41,000 tokens after the first year of operation.

Should you have any additional comments or questions about this update, please do not hesitate to reach out to us in the official XNET Discord. <https://discord.gg/3W5vTU8aCn>