

# Geeq

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## The Geeq Project Tokenomics

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## Introduction

Geeq is an infrastructure level blockchain project offering very high levels of security through a new consensus protocol based on Game Theory and Economic Mechanism Design. The low transactions costs, scalability, and especially, the flexibility of Geeq's architectural approach to Distributed Ledger Technology (DLT) make it uniquely suited for widespread deployment in a variety of use cases.

GeeqCoin is a utility token designed to pay the network of nodes that support multiple, interoperable, instances of GeeqChains for their validation and virtual machine services. GeeqCoins can also be used for micropayments in IoT, content management, smart city, and other applications, or as a general purpose cryptocurrency. Geeq's tokenomics is designed to maintain confidence in the integrity of the platform by actively managing the coinbase to keep it in line with demand and use.

## Initial Token Issue

### Private sales:

A seed round and general private sale with a hard-cap of 14M GeeqCoins began in September 2018. GeeqCoins will have an initial nominal value of \$1 but will be sold at discounts between 10% and 40%. A total of approximately \$12M will be raised through private sales. If you are interested in subscribing to the private sale, please contact Geeq Corporation's Vice President of Corporate Development, Bridie Mitchell <[bridie.mitchell@geeq.io](mailto:bridie.mitchell@geeq.io)>. She will provide you with three investor documents that you will need to complete in order to be white-listed.

- Token Pre-Sale Agreement
- KYC/AML Requirements
- Accredited Investor Questionnaire

Minimum buy: \$25,000

Maximum buy \$500,000

## **Public Distribution Event:**

In the weeks leading up to the liquidity event (outlined below), 3M GeeqCoins will be sold in a public distribution event at a price of \$1 raising a total of \$3M. Those interested in purchasing GeeqCoins will be asked to preregister on a community engagement webpage. Allocations of GeeqCoins will be determined by the level of interest expressed and by various metrics of community involvement. The details regarding how to request allocations will be made available after the close of the private sale. This event will be conducted in a way that is fully compliant with all the relevant laws and regulations as they exist at the time of the proposed event, and will not take place if this is not possible.

## **The Liquidity Event:**

Approximately three months after the private sales are complete, Geeq will seek out a viable liquidity option to make GeeqCoin tradable before the launch of mainnet. This may be through creating a temporary token on the Ethereum or Aion platforms or some other method. An additional 8M GeeqCoins will also be created and allocated to contributors who helped write the code or worked on other aspects of the project, to founders and advisors, to pay bounties to detect bugs and improve the code, to foster independent developers on Geeq, and for further platform development. As with the public distribution event, the liquidity event will be conducted in a way that is fully compliant with all the relevant laws and regulations as they exist at the time and will not take place if this is not possible.

## **Lockups:**

- Founders' tokens become fully vested in 18 months after the liquidity event and are unlocked incrementally as the platform develops.
- Advisors' and contributors' tokens become fully vested in 12 months after the liquidity event and are released into the coinbase on a slightly accelerated basis.
- Tokens sold in the private sales are unlocked in stages at 15 day intervals. All private sale tokens are unlocked and fully vested 90 days after the liquidity event.
- Tokens sold during the public distribution event are all unlocked immediately when the liquidity event takes place.

## Monetary Policy and Cryptoeconomics

One might think that if were possible to create a “stable-coin” that had a fixed value with respect to fiat currencies, it would relieve a great deal of the public’s concern and anxiety about using cryptocurrencies. The idea of maintaining fixed exchange rates between currencies has a long, but not very happy, history in economics and policy. Central banks over time have often attempted to peg the value of their own currencies to another, to a basket of other currencies, or to a commodity such as silver or gold. Banks support these pegs by standing ready to buy back any domestic currency offered at the promised exchange rate. Unfortunately, such policies have always ended in failure.

For example, in the early 1990s, England attempted to maintain a 2.7 mark/pound exchange rate as part of its effort to support the European Exchange Rate Mechanism. George Soros and other currency speculators shorted the pound forcing the Bank of England to raise interest rates and commit large parts of its foreign exchange reserves to buying back the pound on the open market. This became increasingly difficult as the Bank of England’s reserves dwindled. Ultimately, England was forced to give up and let the exchange rate float. Currencies backed by commodities such as gold or silver have also proven to be unsustainable. The underlying economics here is that the one and only way to support a fixed exchange rate is to have a 100% reserve of the other currency or commodity in question. You may wish to have a look at the following [medium article](#) for additional discussion about the problems and challenges associated with stable-coins.

True stable-coins also have an obvious downside from the standpoint of platform builders. Namely, if 100% of token sale revenue is kept in reserve to guarantee the value of the stable-coin, nothing is left over for platform development. Obviously, there is no incentive for an investor to buy a stable-coin either.

On the other hand, rapid and dramatic fluctuations in the value of BTC, ETH and other cryptotokens are frequently the result of speculation and have little relation to the value of the underlying platforms. These fluctuations nevertheless undermine confidence in the platforms and their technology. Rational users naturally insist on a premium to buy and hold such risky assets, which also suppresses their value. To make matters worse, both positive and negative price swings can be driven by relatively small trading volumes and can take on a life of their own once they start. None of this is good for investors, platforms, application developers, validating nodes, users, or the DLT space in general.

The Geeq project's tokenomics is designed to avoid both extremes. Geeq develops a new model for a stabilized-coin which is designed to let platform use and token demand rather than speculation be the primary drivers of token value. This is accomplished through an active monetary policy that automatically expands or contracts the coinbase in a predictable and algorithmic way.

## Geeq Monetary Policy

### Overview:

A total of 25M GeeqCoins will exist at the end of the liquidity event. **No additional GeeqCoins will be issued unless and until the the market price of GeeqCoin rises to \$3.** If the price stays below this level, 25M GeeqCoins are all that will ever exist.

For every dollar that GeeqCoin's value rises above \$3, new GeeqCoins will be generated at a rate of 5M per dollar. If GeeqCoin prices triple relative to their nominal issuance value of \$1, it is most likely to be because the use and transactions volume of the platform have grown as well. Part of the revenues generated from the sale of these new tokens will be placed in escrow. As long as token value goes up, both the coinbase and the fiat reserve in the escrow account go up as well.

If token value ever begins to fall, the Fiat Stabilization Reserve (FSR) account automatically starts buying back a predetermined, publicly known, number of tokens and places them in a Token Stabilization Reserves (TSR) account, removing them from the circulating coinbase. Thus, the Monetary Smart Contract (MSC)<sup>1</sup> creates predetermined, publicly known, additional supply of tokens in bull markets and additional demand for tokens in bear markets. This does not prevent GeeqCoin's value from increasing nor does it guarantee that its value will never fall. What it does is fund a kind of insurance policy in good times that can be deployed to reduce the impact of bad times. The fact that there is a prefunded commitment to defend the token's value can dampen or stop low-information expectations driven price changes as well as make it much more difficult for speculators to attack the GeeqCoin's value. Overall, 10% of any new GeeqCoin issue will be set aside for developer support and community outreach, 15% for founders and advisors, 40% for token value stabilization, and the remaining 35% for development, sales, and other platform expenses.

To get a sense of what this means in practice, the following table shows the token quantity, token cap, total revenue from the sale of tokens created by the MSC, and the amount that is apportioned to the FSR, the community and developer outreach fund, and the platform itself. For simplicity, this assumes a monotonic increase in GeeqCoin price from \$1 to \$25. If prices were to follow a more complicated path of upward and downward volatility, the only thing that would change is that the FSR would be somewhat higher (the reason is discussed below). See the mathematical appendix at the end of this document for more details on how these numbers were calculated.

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<sup>1</sup> Geeq's monetary policy requires interactions between real world banks, token exchanges, and Geeq users. While Geeq can and will make implementation of this policy transparent, regulatory and technical issues may place limits on fully automating monetary policy through a smart contract. Geeq's founding principle is that code is law, and so to the extent that it is practical, an automatic, transparent process will be used. Banking and exchange fees, transactions costs, and similar expenses will be deducted from the FSR as they are realized.

| Token Generation |                |           |                                   |                    |                  |                |
|------------------|----------------|-----------|-----------------------------------|--------------------|------------------|----------------|
| Token price      | Token quantity | Token cap | Token creation value <sup>2</sup> | Dollars in the FSR | Platform revenue | Community fund |
| \$1              | 25             | \$25      | \$0                               | \$0                | \$0              | \$0            |
| \$3              | 25             | \$75      | \$0                               | \$0                | \$0              | \$0            |
| \$5              | 35             | \$175     | \$53                              | \$21               | \$19             | \$5            |
| \$10             | 60             | \$600     | \$228                             | \$91               | \$80             | \$23           |
| \$15             | 85             | \$1275    | \$540                             | \$216              | \$189            | \$54           |
| \$20             | 110            | \$2200    | \$978                             | \$391              | \$342            | \$99           |
| \$25             | 135            | \$3375    | \$1540                            | \$616              | \$539            | \$154          |

(All numbers are in millions except token price)

### An Intuitive Outline:

Geeq's monetary policy is described in detail in the appendix. The basic mechanics are outlined below.

If GeeqCoin price triples, then 5M new tokens are issued for each dollar of price increase. For example, as the price goes from \$3 to \$4, 50k new tokens are offered for sale at one cent intervals. Thus, 25M tokens are in circulation when the price is \$3, 30M when the price is \$4, 35M when the price is \$5 and so on.

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<sup>2</sup> This is the revenue that would be generated if all tokens were sold at the moment they were created. In fact, 85% will be sold immediately. Founders and advisors' tokens are subject to lockups but may be held instead of forced onto the market directly. Details are given below.

To determine the market price, a standing offer is made by the MSC to sell 50k tokens at a price of \$3.01, 50k more at a price of \$3.02, etc. Self-interested agents will choose to buy tokens at these prices if and only if they are below the open market value of GeeqCoin. Thus, Geeq does not need an oracle or outside source of information to determine what the token's value is. Instead it relies on information revealed by the market.

A total of 40% of revenues raised from the sale of new tokens is placed into a Fiat Stabilization Reserve (FSR). If price falls, these reserves are used to buy back GeeqCoins and remove them from circulation. This is done in an automatic, transparent, and predictable way using a MSC. For example, suppose the price of GeeqCoin reaches a high water mark price \$20, the FSR would hold \$391M and a total of 110M GeeqCoins would be in circulation. To defend GeeqCoin's price, the MSC would issue standing offers to buy a certain number of GeeqCoins at each \$.01 interval below \$20.

The tokens in the TSR are sold back to the market if the price begins to rise again. For example, suppose the price drops to \$18 and then starts to rise back to the high water price of \$20. The MSC would issue standing offers to sell an equal share of the TSR tokens at every \$.01 price interval. That is, the MSC offers to sell 26k tokens at \$18.01, the same at \$18.02, until the TSR is empty again if the price returns to \$20.<sup>3</sup>

The dollars in the FSR are deployed in three separate price defense zones: the high water zone which is between the highest price the token has ever obtained and 90% of that value, the middle zone which is between 90% of the high water price and the price floor, and the price floor zone, explained below.

One quarter of the FSR is dedicated to defending GeeqCoin's price in the high water zone because the greatest volatility typically exists closest to the current equilibrium price. Heading off price drops while they are small instead of letting them build and start generating negative expectational feedback is an efficient way to use reserves.

One half of the FSR is dedicated to defending GeeqCoin's price in the middle zone by providing certainty that demand for the GeeqCoin exists at all price levels and thereby serve as a speed bump to slow or stop price drops. Often such price drops are built on very thin trading volumes rather than a wholesale loss of confidence in a currency.

The final quarter of the FSR is used to provide a price floor for GeeqCoin. The TSR grows and the circulating coinbase shrinks as the MSC deploys the FSR in high water and middle zones. If price continues to fall despite these efforts, the remaining quarter of the FSR becomes large enough to repurchase all of the GeeqCoins still in circulation. Thus, the MSC uses the last quarter FSR to remove tokens from circulation until the price floor is a sustainable equilibrium price for GeeqCoin (or buys all of the GeeqCoins in circulation).

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<sup>3</sup> See the mathematical appendix for details.

No new tokens are issued unless and until the TSR is empty and the price rises above the previous high water mark.

A key element of this pre-programmed, publicly announced process of stabilizing GeeqCoin's value is that it produces a fiat surplus. This is because an equal *share* of the dollars in the FSR are spent buying GeeqCoins on the way down, but an equal *number* of GeeqCoins are sold on the way back up. Thus, many more GeeqCoins are purchased at lower prices than at higher prices on the way down, while an equal number of GeeqCoins are sold at all prices on the way up.

All surpluses made from stabilization efforts are added to the FSR. This has the interesting effect of strengthening the stabilization process. The larger the FSR, the larger the number of GeeqCoins purchased and put into the TRS as price drops. Even more interesting is that this has the effect of raising the price floor. In other words, the more volatility token value experiences, the more effective monetary policy becomes in the future. It is even possible that the feasible price floor could rise above \$1. Although this would not make GeeqCoin a stable-coin, it would give it a price floor above its notional issuance value.

Geeq's monetary policy is pre-funded, transparent, and is designed to smooth the volatility and reduce uncertainty. The policy does not, in and of itself, determine the GeeqCoin's market price. Instead, the MSC stands ready with a set of known bids and asks that all platform users can take into account when planning and conducting their business.

## Conclusion

GeeqCoin's tokenomics is centered on the idea of creating a middle path between the impracticability of a fixed exchange rate stable-coin, and the uncertainty and volatility of an unsupported, free-floating token. The main purpose of GeeqCoin is to pay the network of nodes that support multiple, interoperable, instances of GeeqChains for their validation and virtual machine services. The intention of Geeq's monetary policy is to tie token value more closely to its use on the platform and the value of the services built by developers within the Geeqsystem. Limiting the impact of speculators and dampening the impact of fear, uncertainty, and doubt, creates a more predictable and stable environment to support and sustain adoption and usage for all of Geeq's platform participants.

## Monetary Policy Appendix:

This appendix outlines Geeq's monetary policy in detail. We begin by defining some notation:

$F$  : The dollar value of the FSR at any given time

$T$  : The number of GeeqCoins in the TSR at any given time ( $T = T^H + T^M + T^P$ )

$T^H$  : The number of TSR GeeqCoins purchased in the high water price defense zone

$T^M$  : The number of TSR GeeqCoins purchased in the middle price defense zone

$T^P$  : The number of TSR GeeqCoins purchased in the price floor defense zone

$\bar{P}$  : The highest price GeeqCoin has reached to date on exchanges

$\underline{P}$  : The price floor for GeeqCoin that can be guaranteed by the FSR

$I$  : The number of one percent price increments GeeqCoin price is currently below  $\bar{P}$

$I^M$  : Total number of one percent price increments in the middle price zone ( $.9\bar{P}$  to  $\underline{P}$ ).

### Establishing a Reserve:

A total of 40% of all revenues received from the sale of any GeeqCoins generated after the liquidity event will be converted into fiat currency and placed on reserve in the FSR account.

### Price Decreases:

The dollars in the FSR account are committed to supporting GeeqCoin's value if the price ever happens to decrease. This involves three separate price defense zones.

#### Price Defense Zones:

- High Water Zone:  $\bar{P}$  to 90% of  $\bar{P}$ .
- Middle Zone: 90% of  $\bar{P}$  to  $\underline{P}$
- Price Floor Zone:  $\underline{P}$

High Water Zone: 25% of the FSR is used to stabilize GeeqCoin's value from the highest price it has ever obtained to 90% of that value. This is because the greatest volatility exists close to the current equilibrium prices. To put this another way, 1% variations in price are more common than 5% variations, which are more common than 10% variations, and so on. Day over day price increases and decreases of 15% or 20% are not unheard of for cryptocurrencies, but they are far less frequent than smaller variations. As a result, a disproportional share of resources is devoted to stabilization at the top 10% of the token valuation range. Heading off price drops while they are small is also a much more efficient way to use reserves than letting such fluctuation build and start generating negative expectational feedback.

Middle Zone: 50% of the FSR is used to stabilize GeeqCoin value if prices should ever leave the high water zone. In the middle zone, the monetary policy is designed to provide certainty that demand for the GeeqCoin exists at all price levels and thereby serve as a speed bump to slow or stop price drops. Often such price drops are built on very thin trading volumes rather than a wholesale loss of confidence in a currency. In such cases, the offer to buy back non-trivial quantities of tokens (although not a large fraction of the total coinbase) can have a disproportionate impact on price levels.

Price Floor Zone: 25% of the FSR is used to guarantee a minimum GeeqCoin value of  $\underline{P}$ . This price floor also represents the lower bound of the middle zone. The price floor  $\underline{P}$  depends upon the size of the FSR and TSR. The details of how it is calculated are discussed below.

In the high water zone, the portion of the FSR committed to price defense is deployed uniformly over the price interval. In effect, a smart contract generates a book of bids of the following form:

| High Water Defense Zone Bid Order Book |               |                                        |
|----------------------------------------|---------------|----------------------------------------|
| Bid or Ask                             | Price         | Quantity                               |
| Bid                                    | $.99 \bar{P}$ | $\frac{.025 F}{.99 \bar{P}}$ GeeqCoins |
| Bid                                    | $.98 \bar{P}$ | $\frac{.025 F}{.98 \bar{P}}$ GeeqCoins |
| $\vdots$                               | $\vdots$      | $\vdots$                               |
| Bid                                    | $.90 \bar{P}$ | $\frac{.025 F}{.90 \bar{P}}$ GeeqCoin  |

For example, suppose that  $\bar{P} = \$20$ . Then a total of 110 M GeeqCoins would have been created. Suppose that  $F = \$391 M$ . Then a total of \$97.8 M is ear-marked for stabilization in the high

water zone. Thus, the monetary smart contract has a standing offer to buy \$9.8M worth of GeeqCoins at \$19.80. In other words, the smart contract places a bid for  $9,800,000/18.80=494,000$  GeeqCoins at a price of one percent below  $\bar{P}$ . The smart contract also creates nine other open bids concluding with an offer to buy 543,000 GeeqCoins at \$18.00. Note that the total number of tokens repurchased goes up as the price goes down.<sup>4</sup> In total, approximately 5.2M GeeqCoins would be repurchased and placed in the TRS.<sup>5</sup>

The middle zone book of bids is essentially the same. The differences are only in the details of the math.

| Middle Defense Zone Bid Order Book |                                      |                                                                |
|------------------------------------|--------------------------------------|----------------------------------------------------------------|
| Bid or Ask                         | Price                                | Quantity                                                       |
| Bid                                | $.89 \bar{P}$                        | $\frac{.5R}{.89 \bar{P} I^M}$ GeeqCoins                        |
| Bid                                | $.88 \bar{P}$                        | $\frac{.5R}{.89 \bar{P} I^M}$ GeeqCoins                        |
| $\vdots$                           | $\vdots$                             | $\vdots$                                                       |
| Bid                                | $(1 - \frac{I^M + 10}{100}) \bar{P}$ | $\frac{.5R}{(1 - \frac{I^M + 10}{100}) \bar{P} I^M}$ GeeqCoins |

For example suppose that  $\bar{P} = \$20$  and the price floor  $\underline{P} = \$1.40$ . Since  $\underline{P}$  is 7% of the high water price, There are a total of 93 increments of a one percent price drop before price floor is reached. Thus,  $I^M = 93 - 10 = 83$ . This means that the middle price defense zone would include 86 bids and would spread  $.5F = \$195.5M$  evenly over each one percent price interval which implies that \$2.3M would be spent at each bid level. The first bid would therefore be for  $2.4M/17.80 = 134,000$  GeeqCoins at \$17.80, and the last for  $2.4M/.80 = 1,490,000$  GeeqCoins at \$1.40. In total approximately 30M additional GeeqCoins would be repurchased and placed in the TRS.

We come at last to how  $\underline{P}$  is determined. Suppose that after  $$.75F = \$293.25M$  has been spent trying to defend the price of GeeqCoin in the high water and middle zones, and that the TSR account holds 35M GeeqCoins that have been repurchased and removed from circulation. Despite

<sup>4</sup> The monetary policy described in this section used large discrete increments such as bids and asks being created in one percent price intervals for simplicity. The actual monetary policy implemented may change somewhat as a result of these and other factors.

<sup>5</sup> Refer to the mathematical appendix to see how this and other numbers in these examples were calculated.

this, the attempt at price support was unsuccessful and GeeqCoin price has dropped to \$ 1.40. But then 75 *M* GeeqCoins would remain in circulation and the last \$ 97.8 *M* in the FSR would therefore be sufficient to repurchase them at a price of  $\$ 97.8 / 75 \text{ } M = \$ 1.30$ . In other words, the 25% of the FSR earmarked for the price floor defense zone is enough to enforce a price floor of \$ 1.30. As a consequence, the monetary smart contract issues a bid to buy any and all GeeqCoins offered at \$ 1.30. Either all GeeqCoins leave the market and go into the TSR or the number of circulating tokens decreases enough to makes \$ 1.30 an equilibrium price. Thus, the monetary smart contract generates one last bid:

| Price Floor Zone Bid Order Book |                 |               |
|---------------------------------|-----------------|---------------|
| Bid or Ask                      | Price           | Quantity      |
| Bid                             | $\underline{P}$ | all GeeqCoins |

### Price Increases:

Now we consider what happens if price drops to  $P < \bar{P}$ , in the high water zone. but then starts to rise again. In this case, the monetary smart contract generates a book of asks that offers to sell the GeeqCoins in the TRS in equal amounts over equally spaced prices between the current prices and high water price. For example, if GeeqCoin price drops 3% below  $\bar{P}$ , then 7.5% of the FSR has been expended buying and adding GeeqCoins to the TSR. If the price starts to move back up, then the monetary smart contract generates three asks:<sup>6</sup>

| High Water Defense Zone Ask Order Book |               |                           |
|----------------------------------------|---------------|---------------------------|
| Bid or Ask                             | Price         | Quantity                  |
| Ask                                    | $.99 \bar{P}$ | $\frac{T^H}{3}$ GeeqCoins |
| Ask                                    | $.98 \bar{P}$ | $\frac{T^H}{3}$ GeeqCoins |
| Ask                                    | $.97 \bar{P}$ | $\frac{T^H}{3}$ GeeqCoin  |

<sup>6</sup> Note that since the price is in the high water zone,  $T^H = T$ .

This also implies that if prices drop into the middle price defense zone, ten asks are generated of the form:

| High Water Defense Zone Ask Order Book |               |                            |
|----------------------------------------|---------------|----------------------------|
| Bid or Ask                             | Price         | Quantity                   |
| Ask                                    | $.99 \bar{P}$ | $\frac{T^H}{10}$ GeeqCoins |
| Ask                                    | $.98 \bar{P}$ | $\frac{T^H}{10}$ GeeqCoins |
| $\vdots$                               | $\vdots$      | $\vdots$                   |
| Ask                                    | $.90 \bar{P}$ | $\frac{T^H}{10}$ GeeqCoins |

Additional asks are generated that offer to sell the GeeqCoins in the TSR GeeqCoins purchased in the middle price defense zone,  $T^M$ , in equal amounts at equally spaced prices between the current prices and 90% of high water price (that is, the upper-bound of the middle price defense zone). For example, if GeeqCoin price drops 13% below  $\bar{P}$ , then 25% as the FSR has been expended buying and adding GeeqCoins to the TRS in the high water zone, and an additional  $3 \times 100 \frac{5}{T^M} \%$  in the middle price defense zone. As a result,  $T^H + T^M$  GeeqCoins in total are in the TSR. If the price starts to move back up after dropping to 13%, an equal share of  $T^M$  is sold at one percent price intervals as price approaches the high water zone. Thus, the following asks would be generated.

| Middle Defense Zone Ask Order Book |               |                           |
|------------------------------------|---------------|---------------------------|
| Bid or Ask                         | Price         | Quantity                  |
| Ask                                | $.89 \bar{P}$ | $\frac{T^M}{3}$ GeeqCoins |
| Ask                                | $.88 \bar{P}$ | $\frac{T^M}{3}$ GeeqCoins |
| Ask                                | $.87 \bar{P}$ | $\frac{T^M}{3}$ GeeqCoins |

Finally, if GeeqCoin price drops to the price floor,  $\underline{P}$ , then the monetary smart contract offers to sell any GeeqCoins purchased at this price at the price floor. Thus, the monetary contract creates one final ask:

| price Floor Zone Ask Order Book |       |                 |
|---------------------------------|-------|-----------------|
| Bid or Ask                      | Price | Quantity        |
| Ask                             | $T^P$ | $T^P$ GeeqCoins |

## Mathematical Appendix

New tokens are created at a rate of 5M for each dollar GeeqCoins fiat value rises above \$3. This means that the total number of tokens issue at any price above \$3 is:

$$25+5(P-3).$$

Token creation is done continuously as price rises, meaning that at a price of \$3.01, 50k new tokens are created, at a price on \$3.02, another 50k tokens are created, and so on. This means for prices above \$3 the revenue raised can be calculated as follows:<sup>7</sup>

$$\int_3^P 5P dP = \frac{5P^2}{2} \Big|_3^P = \frac{5P^2}{2} - \frac{45}{2} = \frac{5P^2}{2} - 22.5.$$

For example, if  $P=\$3$ , then revenue from new tokens sales is zero, while if  $P=\$10$ , then revenue is \$227.5M while the overall token-cap is \$950M. If  $P=\$20$ , then revenue is \$977.5M while the token-cap is \$3,900M.

The high water price defense zone ranges between  $\bar{P}$  and  $.9\bar{P}$ . One fourth of  $F$ , the value of the FSR, is earmarked to buy back tokens in this range. Thus, for if the token price drops to  $P > \bar{P}$ , we can calculate the number of tokens repurchased as the price goes back up to  $\bar{P}$  as follows

$$\int_{\bar{P}}^P \frac{F}{4P(\bar{P} - .9\bar{P})} dP = \ln(|P|) \frac{F}{4(.1\bar{P})} \Big|_{\bar{P}}^P = \ln(|\bar{P}|) \frac{F}{4(.1\bar{P})} - \ln(|P|) \frac{F}{4(.1\bar{P})}.$$

Similarly, if the price falls below  $.9\bar{P}$  but stays above  $\underline{P}$ , one half of the FSR is earmarked to buy back tokens in this range. Thus, for if the token price drops to  $P < \bar{P}$ , but it is still the case that  $P > \underline{P}$ , we can calculate the number of tokens repurchased as the price goes back up to  $.9\bar{P}$  as follows:

$$\int_P^{.9\bar{P}} \frac{F}{2P(.9\bar{P} - \underline{P})} dP = \ln(|P|) \frac{F}{2P(.9\bar{P} - \underline{P})} \Big|_P^{.9\bar{P}} = \ln(|.9\bar{P}|) \frac{F}{2P(.9\bar{P} - \underline{P})} - \ln(|P|) \frac{F}{2P(.9\bar{P} - \underline{P})}.$$

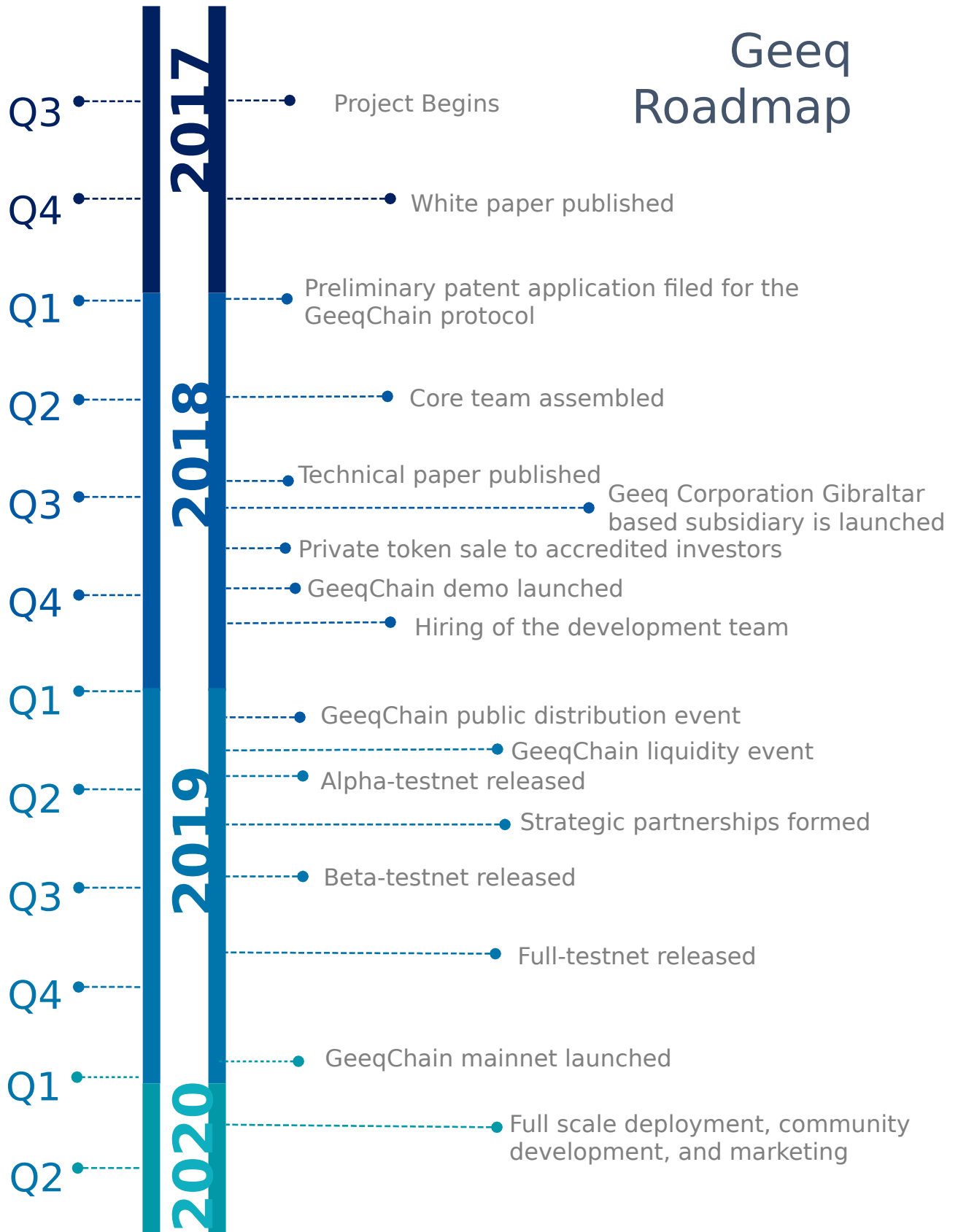
Let  $T$  represent the total number of tokens in circulation when the TSR is empty. Recall that  $T^H$  is the number of tokens repurchased in the high water zone. Let  $T^M(P)$  represent the tokens repurchased in the middle price defense zone as the price drops from  $.9\bar{P}$  to some  $P < .9\bar{P}$ . Then  $\underline{P}$  is the price that solves the following equations:

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<sup>7</sup> This example and the one below assumes that all founder/advisor tokens are sold as they are created for simplicity.

$$P(T - T^H - T^M(P)) = \frac{F}{4}.$$

In words, since one fourth of the FSR is earmarked for the price floor zone, when price drops to some  $P$  such that the total number of tokens remaining in circulation after  $T^H - T^M(P)$  are repurchased and put into the TSR is worth  $F/4$ , then  $P = \underline{P}$ .



## **Disclaimer**

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