Xenon

Xenon Network
Auckland, New Zealand
contact@xenon.network
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Abstract. We describe the regulatory and distribution advantages of an alternate blockchain forked from the EOS project which is widely circulated via airdrop. We then discuss specific airdrop strategies which aim to maximize the network effect of the currency.

Introduction:

Xenon, an alternative blockchain forked from the EOS project, avoids some of the regulatory challenges facing public offering derived tokens while having more widespread distribution than the crowdfunded EOS token. This has the potential to lead to a high value blockchain. In this paper I will discuss the EOS project in more detail, the advantages an alternate blockchain based on the EOS sourcecode may have, as well as proposed distribution mechanisms aimed at maximizing the distribution and use of this token.

Background of the EOS Project:

The EOS project promises an innovative high-throughput blockchain capable of hosting enterprise grade applications at low transaction fees[1]. The underlying development company block.one is well funded and boasts a proven development team with a history of delivering on ambitious projects. Initial EOS token distribution is determined by a year-long crowdsale by the block.one company of an ERC20 token on the Ethereum Network, with plans for a token-holder driven launch of an EOS blockchain along with conversion of distributed ERC20 tokens to newly minted EOS tokens. Several steps have been taken by the EOS team in order to reduce regulatory exposure arising from the crowdsale including:

- Distancing themselves from any obligation in launching, running or maintaining the EOS blockchain.
- Disclaimers absolving the block.one organization of any obligation to holders of EOS ERC20 tokens[2].

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[1] EOS GitHub. (2017). EOS.IO Technical White Paper. https://github.com/EOSIO/Documentation/blob/master/TechnicalWhitePaper.md [Accessed 2 Sep. 2017].
[2] EOS.io. (2017). EOS.IO Frequently Asked Questions. https://www.eos.io/faq.html [Accessed 2 Sep. 2017]

The goals of the token distribution as stated by block.one CTO Daniel Larimer are[3]:

- Widespread distribution
- Community engagement
- A fair, equal opportunity for many different people to get involved

An obvious additional goal is revenue for the owners of the block.one company. Daniel Larimer states that the company already had adequate funding in order to complete development of the EOS project prior to the crowdsale, and that crowdsale proceeds would go to the block.one organization as revenue with no plan or obligation to use this revenue to further the EOS project[4].

Arguments for an Alternative Blockchain:

We believe that the above factors present an opportunity for an alternative blockchain to be launched simultaneously from the open-source EOS codebase with properties which make it superior to the planned EOS blockchain. These properties are:

- Airdrop distribution to participants in the Ethereum and Bitcoin networks as well as through other channels ensuring widespread distribution of pre-genesis block tokens. We believe that this may raise the profile of the blockchain and increase community engagement.
- Widespread airdropped distribution to individual developers as well as blockchain development companies/projects in order to incentivize development and use of the Xenon platform.
- Distribution of tokens to 21 parties who commit to acting as "block producers" at the launch of the blockchain, with selection of parties determined by our assessment of their ability to fund and operate these important network nodes.
- Lack of an Initial Coin Offering, reducing regulatory risk associated with this form of capital raising. Recent steps from the Chinese Government have indicated an intention to have funds raised in Initial Coin Offerings returned to investors, and have prompted local exchanges to delist ICO distributed tokens[5]. Currencies and tokens distributed through mechanisms such as

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[3] Epicenter Podcast. (2017). #197: Dan Larimer: EOS – The Decentralized Operating System. https://epicenter.tv/episode/197/ [Accessed 5 Sep. 2017].

[4] Epicenter Podcast. (2017). #197: Dan Larimer: EOS – The Decentralized Operating System. https://epicenter.tv/episode/197/ [Accessed 5 Sep. 2017].

[5] Information and Communication Authority, People's Republic of China. (2017). Seven departments on the prevention of tokens issued financing risk notice. http://www.miit.gov.cn/n1146290/n4388791/c5781140/content.html [Accessed 9 Sep. 2017].

mining or airdrop may therefore have increased liquidity compared to ICO launched products.

Proposed Airdrop Distribution:

The Xenon project involves creation of 1,000,000,000 ERC20 XNN tokens. 70% of these will be airdropped, with the majority of the remainder being used to fund promotion of the token in the form of social media bounties, referral programs, advertising, public relations, technical aspects of the airdrop, incentivize exchange participation, produce and maintain Xenon websites and social media activities, and to assist in launching the Xenon blockchain in July/August 2018. A portion of this pool will also be distributed to founders and advisors.

30% of XNN tokens will be airdropped to ethereum addresses holding >0.1 ether, with the exception of some addresses such as those owned by exchanges. This is likely to represent approximately 450,000 addresses. XNN tokens will be distributed proportionally to Ethereum holdings, but exact allocation will likely be based on a diminishing function to award proportionally more per ether held to holders of smaller amounts. This distribution will be performed at times of low network utilisation to avoid blockchain congestion, and to minimise gas costs associated with the distribution.

30% of XNN tokens will be distributed to developers in order to incentivize particication in and development on our platform, to bitcoin holders, and potentially to holders of tokens in external projects which make some commitment to launching on the Xenon platform. Bitcoin distribution will occur through a mechanism whereby Bitcoin holders use their bitcoin addresses to sign a nominated ethereum address, linking these and therefore allowing proportional distribution of XNN tokens to linked ethereum addresses. This will occur on a monthly basis up until June, 2018.

A further 10% of XNN tokens will be distributed to potential “block producers” in order to help incentivize creation and maintenance of the blockchain by qualified and well-funded node maintainers.

Risks:

The importance of network effects for the adoption and ongoing use of cryptocurrencies results in the majority of cryptocurrencies failing to gain traction. In particular, forked blockchains carry lower launch costs and are more numerous,

and are probably more likely to languish in obscurity as a result of their perceived lower value. The EOS project itself is still in the process of development, and many of its advantages over pre-existing blockchains remain unproven and theoretical. The project is also highly reliant on a small number of developers, particularly Daniel Larimer. Although the EOS software is being developed as an open source project under the MIT License, the developers, block.one company or EOS token-holders may take steps to prevent forked blockchains from being created or viable. Widespread airdrop of ERC20 tokens to addresses on the ethereum network is viable at current ethereum network utilisation levels and gas prices, however increases in price may make this strategy prohibitively expensive.

This whitepaper contains forward looking statements, strategies and plans which are speculative and may not eventuate. XenonNetwork has no relationship to EOS.io, block.one, or the founders of the EOS project, other than our stated intention of adopting the EOS MIT licensed open source software. We reserve the right to alter our launch strategy as market conditions change and new developments happen.