

# Tagion Tokenomics – A Deep Dive

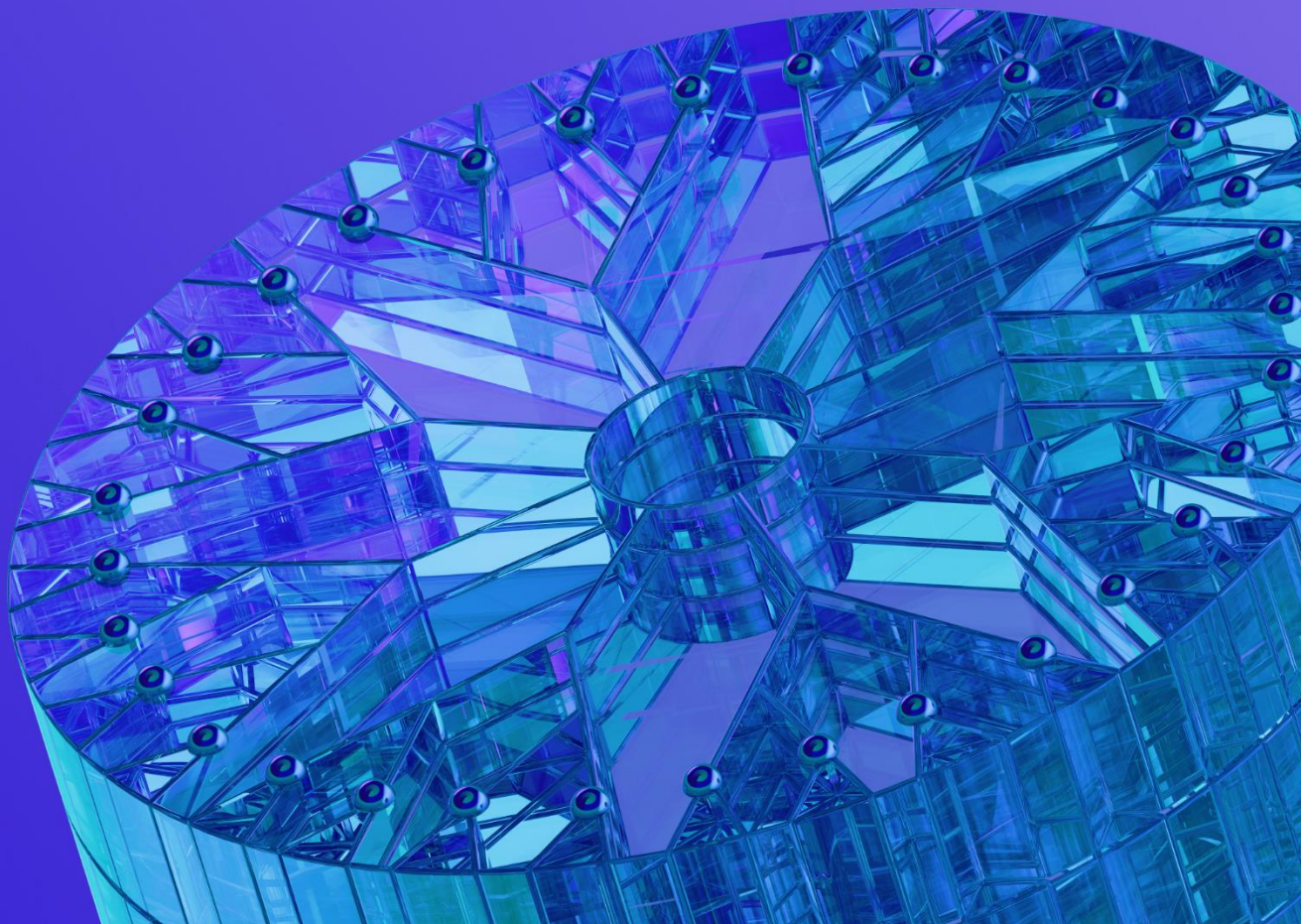
The document includes:

## Supply

- Token Allocation
- Vesting Periods
- Token Emissions

## Demand

- Network Entities
- Network Security
- Transactions
- Treasury



# Supply-side Tokenomics

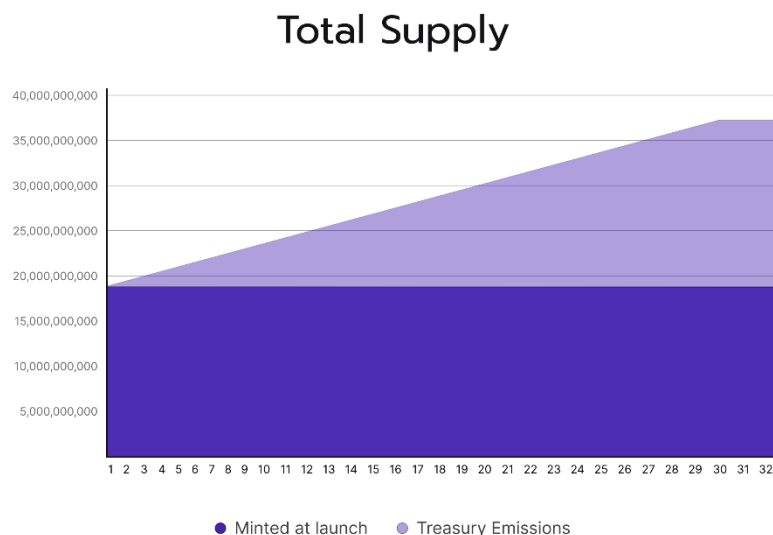
## 1. Introduction

The supply-side of a token economy lays the foundation for a token's circulation, distribution, and overall economic health. It's here that the principles of allocation, emission, and vesting come into play, shaping the token's journey from its genesis to its eventual role and circulation within the ecosystem.

Token allocation speaks to the distribution strategy, reflecting the network's values, goals and of course funding needs. Emission, on the other hand, deals with the creation and introduction of new tokens, a mechanism for decentralizing and securing the network. Lastly, vesting periods serve as a commitment tool, ensuring that stakeholders remain aligned with the network's success over the coming years.

This section delves into the supply-side mechanics of TGN, the native token of the Tagion Network, explaining the strategies and thought processes behind the allocation, emission, and vesting of the token. Through this exploration, it aims to provide a comprehensive understanding of how TGN is distributed within the Tagion ecosystem.

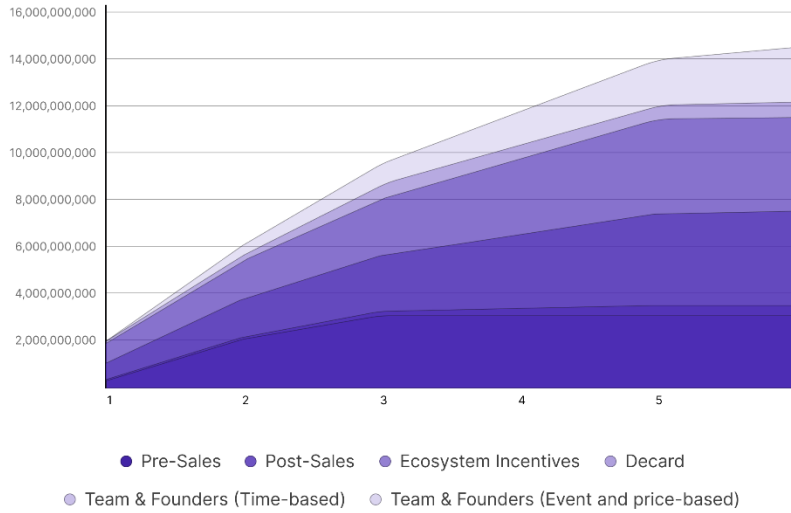
Importantly, the max supply of TGN is set at 37 billion, with the total supply—defined as the number of tokens in existence—starting at 18 billion TGN. This is projected to gradually expand, reaching the maximum supply of 37 billion TGN in approximately 30 years:



The vested supply, representing the current number of tokens that have been vested and can thus be traded or spent, is 1.975.000.000 TGN as of June, 2024.

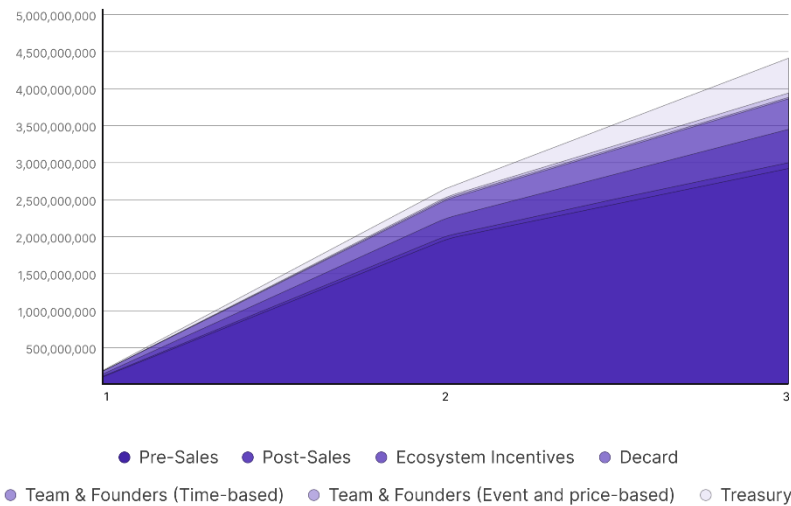
This number is projected to approach roughly 14 billion TGN over the next five years:

### Vested Supply



The circulating supply—representing the tokens held by public investors—is 400.000.000 TGN as of June, 2024. This number is projected to reach roughly 4.6 billion in the next 3 years, in accordance with *figure 3*.

### Circulating Supply

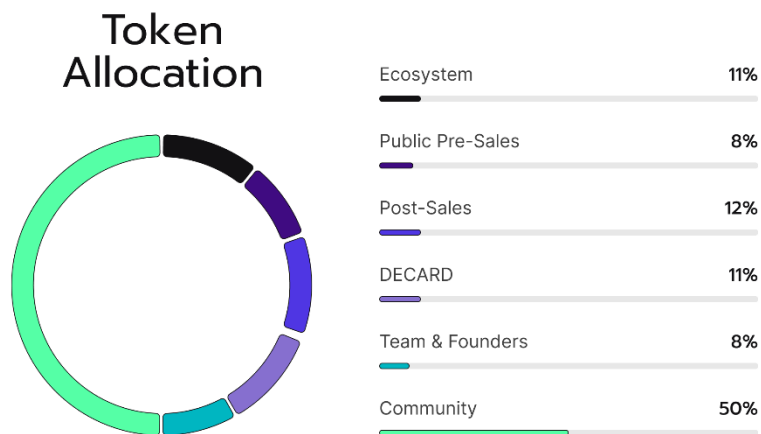


The total supply, vested supply, and circulating supply of TGN will be updated quarterly through separate Medium posts to reflect changes in the supply and distribution of tokens.

## 2. Token Allocation

Token allocation serves as a blueprint for the distribution of tokens, detailing their distribution among various stakeholders and their intended use. At Tagion's inception, 18.5 billion TGN – representing half of the total supply – will be minted. This initial allocation is a cornerstone in establishing and nurturing the network's short to medium-term resilience and expansion. It's strategically designated to fund essential development and operational activities, while also catalyzing the growth and success of the broader ecosystem. Importantly, these tokens will enter circulation through a vesting process, ensuring a controlled and gradual release into the market.

The remaining 50%, another 18.5 billion TGN, is reserved for the community, comprising Treasury, community members, and network nodes. These tokens will be gradually released through emission, a critical move to decentralize and fortify the network's long-term decentralization, security and success.



### Ecosystem Incentives

Allocation: 4,000,000,000 TGN

11% of the entire TGN token supply will be minted at mainnet launch and earmarked for building out the ecosystem. These allocations are designed to incentivize and reward the wider community, including users, developers, and other key stakeholders. The goal is to foster engagement and participation in ways that enhance the growth, security, and overall well-being of the Tagion Network and its ecosystem. This may encompass airdrops, liquidity provision, grants and more. Crucially, these 4,000,000,000 TGN will primarily be used for TGN-denominated donations and for compensating contributors.

## Public Pre-sales

Allocation: 3,100,000,000 TGN\*

To finance core infrastructure development, roughly 8.4% of the tokens will be sold through public presales.

*\*Originally, 3.5 billion TGN tokens were allocated for pre-sales. However, after selling 3.1 billion TGN in pre-sales, the remaining, corresponding to roughly 400 million TGN tokens, have been transferred into the post-sales allocation.*

## Post-sales

Allocation: 4,400,000,000 TGN

In order to sustain and advance infrastructure development, almost 12% of the TGN supply will be allocated for sale to investors following the mainnet launch. This strategic sale, which may occur through either public or private channels, is a crucial step in securing the necessary funding to propel the network's growth and innovation.

## DECARD

Allocation: 4,000,000,000 TGN

DECARD holds an allocation of 11% of the TGN supply. DECARD, a commercial enterprise, has been responsible for developing the Tagion Network. Moving forward, its core mission centers on further developing the core infrastructure, building applications on Tagion and bolstering the encompassing ecosystem.

## Team & Founders

Allocation: 3,000,000,000 TGN

8% of the total TGN supply will be allocated to the team and founders, who have been an integral part of developing the network. As of today, this group comprises more than 40 individuals.

## Community

Allocation: 18,500,000,000 TGN

An allocation of 18.5 billion TGN, representing half of the total supply, is dedicated to the community. The community will have the flexibility to direct TGN towards network nodes, community members, or into the Treasury. Funds in the Treasury can then be strategically utilized to support pertinent ecosystem initiatives. This structure ensures that the community plays a pivotal role in guiding the network's growth and development.

## 3. Vesting Periods

In the context of token distribution, vesting refers to the structured release of tokens after their initial allocation. This release can be restricted by certain conditions or periods, ensuring that stakeholders don't flood the market prematurely, which could destabilize the token's value.

Vesting can be time-based, where tokens are released systematically over a predetermined timeline, event-based, where tokens are released upon achieving specific milestones or events, or time-based, where tokens are released upon achieving a set price target.

By predominantly using time-based vesting, the Tagion Network ensures a steady token release, fostering a predictable token evolution in the supply-side of TGN.

### 3.1 Investors

The allocation for investors can be segmented into two categories: those who already have invested, Public Presales, and those who have yet to invest, Post-sales.

#### Public Presales

At the outset of the Tagion Token Generator Event (TGE), 10% of investor tokens are immediately available. Thereafter, there's a 12-month cliff, following which 5% of the tokens become available each month. This structure results in a total vesting period of 30 months.

However, the tokens are also subject to price-based vesting, which takes priority over time-based vesting, meaning if the token price reaches certain specified levels in secondary markets, the tokens will be vested ahead of the outlined time schedule: 10% vests after a 100% price increase, an additional 50% vests following a 300% increase, and all remaining tokens vest with a 900% increase, provided each threshold is maintained for at least thirty days.

#### Post-sales

Tokens available in post-sales will be offered either through token sales agreements or on various exchanges. In the primary market, where tokens are sold via sales agreements, there's no upper limit on the quantity of tokens that can be transacted. These agreements, however, come with vesting terms, which, although negotiable, are expected to generally align with the conditions set for Public Presales investors.

Conversely, for tokens sold on exchanges in the secondary market, buyers are not subject to vesting terms. However, DECARD, as the seller, is capped at a maximum annual sale of 500 million TGN. This structure ensures a balanced and regulated approach to both primary and secondary market transactions, aligning with our broader strategy for sustainable network growth.

## 3.2 Team & Founders

20% of Team & Founder allocations, comprising a total of 600 million TGN, are subject to a time-based vesting schedule, which mirrors the one applied to Private Investors with one key difference: the cliff period is extended to 18 months. The total vesting period for this group spans 36 months.

The remaining tokens, totaling 2.4 billion TGN, are subject to both price- and event-based vesting conditions. Importantly, the price-based vesting will only be activated after each of the events described below has been achieved:

- Network Decentralization: The network is deemed sufficiently decentralized once it has more than 10 external nodes participating in running the network.
- Exchange Listing: The TGN token is successfully listed on an exchange, whether decentralized or centralized.

### Price-based Vesting

Upon achieving each of the following price targets and maintaining that level for no less than 30 consecutive days in a public market, 480 million TGN will be released:

- 0.01 EUR
- 0.05 EUR
- 0.1 EUR
- 0.5 EUR
- 1 EUR

## 3.3 DECARD

DECARD is seen as a long-term pillar supporting Tagion's sustainability. Its vesting begins with a 20% token release at TGE. From then on, 20% of its token allocation is released annually. Cumulatively, its vesting period stretches over 4 years.

## 3.4 Ecosystem Incentives:

Under Ecosystem Incentives, TGN allocations are subject to time-based vesting, with 20% being released annually over a five-year period. Up to 200 million TGN can be sold to investors annually, whether through private or public channels. The revenue from these sales is dedicated to strengthening the ecosystem.

## 4. Token Emissions

In the context of the Tagion Network, 'emissions' refers to the continuous creation of new TGN tokens designated for the community. This process is fundamental in ensuring the ongoing vitality and strength of the network and its ecosystem.

Initially, the emission rate of TGN tokens is set at 616 million annually, projecting a minting duration of 30 years. Significantly, this rate is not fixed and can be adjusted by the community to align with the evolving needs and objectives of the Tagion ecosystem. The community not only decides on the rate of emission, but also on the strategic distribution of the newly minted tokens. Options for distribution encompass compensating validators, a critical step in bolstering network security, community members, or channeling tokens into the Treasury. Governed by the community, the Treasury is responsible for the allocation or potential burning of tokens, further underlining the community's pivotal role in shaping the network's future. The development of the governance mechanisms will commence following the mainnet launch and will be a collaborative effort involving input from the community.

Importantly, the emission process will begin once the network has reached a minimum viable state of decentralization, which is defined as having at least 10 external nodes actively operating the network. This is expected to take place in q2 2025.

### 4.1 Network Nodes

Nodes actively participating in the network undertake the crucial roles of transaction validation and ensuring network consensus. It's vital that these nodes receive adequate compensation for their services. Insufficient rewards may deter potential node operators from joining or maintaining their participation in the network, highlighting the significance of an apt reward structure.

Under the assumption of a consistent reward structure, we observe that with a smaller node pool, say five nodes, the competition for rewards is minimal, leading to higher rewards per node. On the other hand, when the node pool is saturated with thousands of participants, rewards per node naturally diminish. Rewards per node and the number of participants in the node pool therefore share an inverse relationship.

This inverse relationship means early node operators enjoy higher rewards due to limited participation. Such high rewards can entice nodes to join the network. However, as more nodes are drawn in by the potential for higher rewards, this will give rise to diminishing returns. Eventually, the network may reach an equilibrium where it's no longer significantly profitable for additional nodes to join.



When users transact on the network, they incur a gas fee. However, it's crucial that these gas fees don't become the main compensation for node operators. If they did, during periods of reduced network activity, node operators might lack the incentive to maintain the network's security and validate transactions.

Instead, a significant portion of the emitted tokens, specifically 50% of the annual emission of 616 million TGN, will initially be allocated to node operators. This translates to an annual distribution of 308 million TGN tokens.

This reward structure offers substantial incentives, particularly in the early stages of the network. For instance, when the network is operated by only ten nodes, each node operator could earn an average of 30.8 million TGN annually. However, as the network expands and the number of nodes increases, for example, to 1,000 nodes, the average reward per node operator would proportionally decrease to around 308,000 TGN. This dynamic system ensures a fair and scalable reward mechanism for node operators, evolving with the network's growth.

While a reward system that increases with a larger node pool may seem attractive for promoting network decentralization, it has its drawbacks. Specifically, it might unintentionally encourage current operators to game the system by setting up multiple nodes. For this reason, the rewards will not be tied directly to the size of the node pool.

Importantly, the community retains the authority to modify the reward rate. Such flexibility ensures the reward mechanism remains responsive to both shifts in the node pool size and unforeseen market conditions.

## 4.2 Treasury

Serving as the cornerstone of the Tagion Ecosystem, the Treasury operates under community governance. For an in-depth understanding of the Treasury, kindly refer to sections 2.2 and 5 in 'Demand-Side Tokenomics'.

In the initial phase, the Treasury will receive an annual allocation of 308 million tokens. This amounts to roughly 100 TGN every ten seconds.

Echoing the flexibility in both the emission rate and the allocation to node operators, the community retains the power to adjust this figure as needed. This adaptable approach ensures that the Treasury's resources can be dynamically aligned with the evolving needs and priorities of the network.

## 5. Max Supply

The max supply of TGN is set at 37 billion. However, like other networks, this cap is not rigid and can be adjusted through community consensus. While the decision to increase the maximum supply rests with the community, we foresee two primary scenarios that might justify such an action. Firstly, should there be a shortage of incentives deterring node operators from participating in

transaction validation once we reach the max supply, the community may opt to retain emissions to ensure adequate compensation for nodes. Secondly, if TGN evolves to possess money-like qualities in the future, it may become necessary to implement appropriate monetary policies, potentially including adjustments to the total supply of TGN, to maintain economic stability and functionality.

## 5.1 Burning

Every transaction on the network incurs a gas fee, payable in TGN. The destination of these fees – whether to node operators or directly to the Treasury – is a decision left to the community. In the scenario where all gas fees are channeled into the Treasury, the community possesses the authority to determine their fate. They have the option to either remove these tokens from circulation through burning or to redistribute them as deemed beneficial for the network.

The volume of tokens burned naturally influences the TGN inflation rate. If the quantity of burned tokens surpasses the annual minting of TGN, defined as emissions + vesting, the token supply trends deflationary:

$$\textit{Deflation} = \textit{mint} < \textit{burn}$$

If not, the supply trends inflationary:

$$\textit{Inflation} = \textit{mint} > \textit{burn}$$

As such, TGN's inflation rate is a dynamic function of the minting and burning rate.

# Demand-side Tokenomics

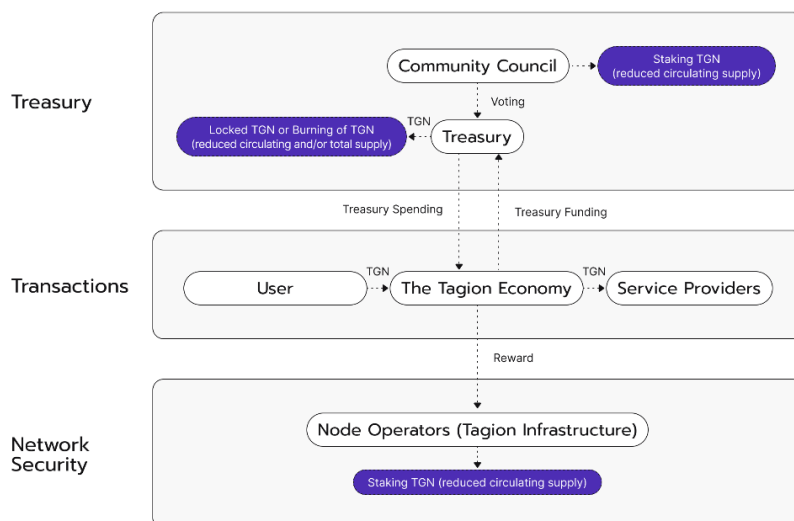
## 1. Introduction

The term 'utility' comes from the Latin word 'utilitas', meaning 'usefulness'. Whenever we speak of utility in the context of DLT, we often speak of the usefulness of a token.

The Market in Crypto Assets (MiCA) regulation defines a utility token as *"a type of crypto asset which is intended to provide digital access to a good or service, available on DLT"*. A utility token is accordingly a digital asset on a distributed ledger, granting holders access to certain products or services. Here, we further extend the notion of a utility token to encompass a token used for staking in the consensus layer and for compensating node operators for validating and recording transactions.

While the classification of a utility token is binary - either it is or isn't a utility token - the notion of token utility conversely operates on a spectrum, indicating that a token can vary in its usefulness. As such, when speaking of token utility, we refer to the usefulness of the token, defined as its ability to access or unlock goods and services; the more needed it is for accessing and utilizing services, the greater its utility.

Building on the economist Randal Wray's renowned saying "taxes drive money", we may say that "utility drives demand." As a token's utility increases, its demand naturally follows, enticing individuals to purchase and use it. Yet, in the world of distributed ledger networks, the demand aspect of a token economy frequently receives insufficient attention. This oversight can translate into a sub-optimal token economy, potentially rendering token utility non-existent. This section delves into the intricate token economy underpinning the Tagion Network, emphasizing the mechanisms that stimulate demand of its native token, TGN. Below, the demand-side dynamics have been illustrated.



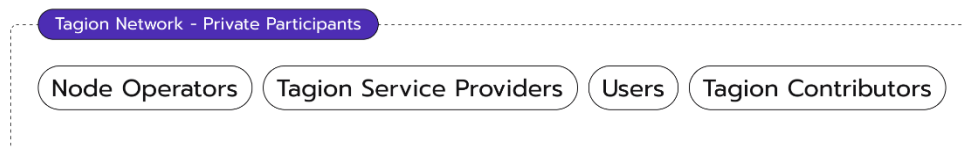
TGN serves as a means of payment used by stakeholders when transacting on the Tagion Network. However, TGN serves not only as the primary medium for network transactions, but also as a pivotal staking instrument within the network's sybil-resistant mechanism and as a governance tool in its innovative Treasury design. As the backbone of the Tagion Network, TGN will accordingly serve as the focal point around which value will revolve, evolve, and unfold.

## 2. Network Entities

The Tagion Network shares similarities with traditional economic systems in terms of the roles and relationships between various actors. Just like in conventional economies, the Tagion ecosystem relies on the interaction and cooperation of different stakeholders, both public and private, to function effectively.

### 2.1 Private Participants

The Tagion Network brings together an assemblage of private actors, including Node Operators, Tagion Service Providers, and Users, and Tagion Contributors.



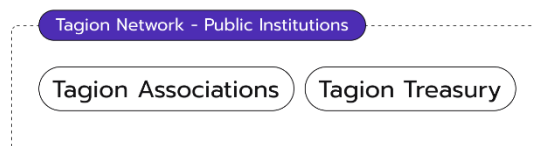
- Node Operators play a vital role in maintaining the network's integrity and security by running nodes and validating transactions. They participate in the transaction settlement process and ensure the smooth functioning of the Tagion Network. Node Operators require TGN for staking within the consensus layer. Details on this will be explored in Section 2.
- Tagion Service Providers develop and provide a range of services built on top of the Tagion Network. They leverage the network's capabilities to create innovative solutions that cater to various needs, such as financial services, supply chain systems, or other utilities, thus enhancing the overall value of the Tagion ecosystem. As Tagion Service Providers craft innovative use cases powered by TGN and gain widespread adoption, the inherent utility of the token inevitably rise.
- Users “consume” the services and applications built on top of the Tagion network. They utilize and engage with the solutions, assets or goods provided by Tagion Service Providers or other stakeholders, benefiting from

the decentralized, secure, and efficient nature of the Tagion ecosystem. Notably, Users may also take on the role of suppliers, when for example selling goods or assets on the DEX Protocol or providing content to decentralized social media platforms. In this context, Users require TGN to access services and purchase goods. This will be explored in Section 3.

- Tagion Contributors actively participate in the growth and development of the Tagion ecosystem by sharing their skills, knowledge, and resources. Their diverse contributions may include core development, marketing, governance, or other forms of support, fostering a collaborative environment that drives innovation and progress. Tagion Contributors drive demand for the TGN token by drawing in new users via, say, educational content creation, leading these new users to seek TGN for transactional purposes.

These participants can fluidly transition between multiple roles. For instance, a Tagion Service Provider might take on the role of a User when utilizing services offered by one of its counterparts. Likewise, a User may assume the role of a Node Operator, if he or she actively runs a node and validates transactions.

## 2.2 Public Institutions



Public institutions play an active role in governing, maintaining, and developing the Tagion ecosystem. These institutions are instrumental in fostering the sustainable growth and evolution of the network.

- Tagion Associations (or other non-profit entities) are collaborative entities formed by community members, dedicated to the governance and management of the Tagion Network. They play a vital role in both promoting the network and fostering a sense of community through active debate and knowledge sharing. Their responsibilities may extend to crucial aspects of network management, such as overseeing the

governance of the Tagion Treasury and handling related tasks.

- The Tagion Treasury is a DAO – or other suited entity - responsible for raising and allocating capital within the Tagion Network. It collects TGN tokens via a set of funding mechanisms, subsequently redistributing them to fund specific initiatives. The Community Council, working closely with the Proposal Committee, oversees the Tagion Treasury. The Community Council comprises Network Participants who voluntarily stake TGN in the Governance Pool, granting them a say in the Tagion Treasury's active management and the democratic election of the Proposal Committee. The Proposal Committee is entrusted with drafting and presenting proposals, which the Community Council then deliberates and votes on, specifically pertaining to the management of the Tagion Treasury.

Public institutions will play a pivotal role in nurturing the ecosystem, not only by financially supporting core development but also by funding application-building undertaken by Tagion Service Providers. Together, private and public actors thus form a dynamic and interconnected economy, working collaboratively to build, maintain, and evolve the Tagion Network, driving its growth and success in the process.

## 3. Network Security

Staking emerges as a central mechanism to bolster security in the Tagion Network, relying on economic incentives to ensure honest behavior. Here, TGN plays a pivotal role. Node Operators are required to stake a certain amount of tokens as collateral to participate in the network's consensus process. This staking serves a dual purpose:

**Incentive Alignment:** Node Operators are rewarded with tokens for validating transactions. Conversely, any malicious activity or attempt to compromise the network's integrity can result in the loss of their staked tokens through slashing.

**Network Health and Stability:** By requiring Node Operators to have a stake in the network, it ensures that those responsible for its security and operation have a vested interest in its long-term success and stability.

### 3.1 Staking Requirements

To become a node in the Tagion Network, participants must meet an adjustable minimum TGN staking requirement, initially set at 5m TGN. This threshold not only ensures node operators have a vested interest in the network but also deters malicious actions, with penalties enforced through slashing of their stake.

Furthermore, establishing a minimum staking threshold is one facet of a comprehensive strategy to curb the threat of Sybil attacks, where an individual or entity spawns multiple nodes to gain undue influence over the network. If this threshold is set too low, a malicious actor with a sizable TGN holding might flood the system with a plethora of nodes, posing a risk to the consensus process. Consider this: When the required staking limit is 5,000,000 TGN, an individual holding 250,000,000 TGN can only deploy 50 nodes. Conversely, with a threshold of 1,000,000 TGN, they can spin up 250 nodes.

However, if set too high, the threshold may inadvertently exclude too many individuals and entities from participating in the validation process, thereby centralizing the consensus process and thus the network.

## 3.2 Becoming an Active Node

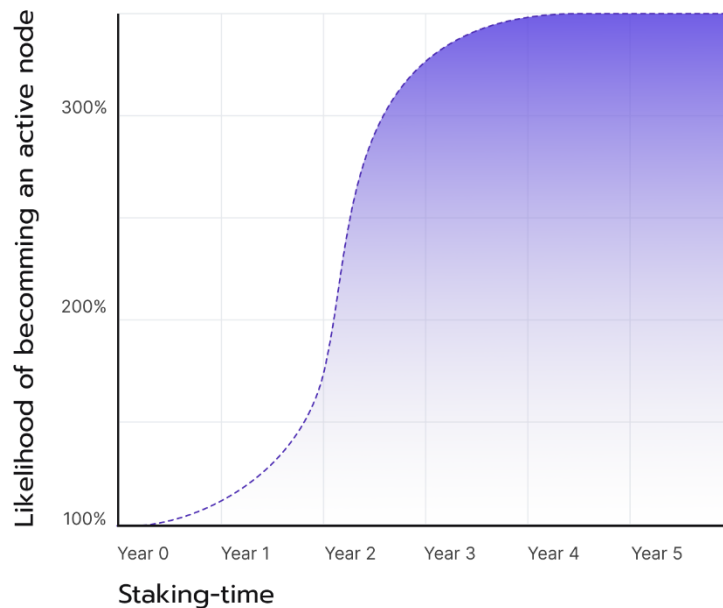
Tagion features a node swapping mechanism, where active nodes—those carrying out validation tasks—are continuously rotated with passive ones. This enables a permissionless system where everybody can partake in the validation process - assuming they are able to satisfy the minimum requirement - thereby promoting decentralization and security in the process.

Your stake fundamentally determines your chance of being selected as an active node. The probability follows a linear progression, where every additional TGN staked leads to a steady and uniform boost in the chances of becoming an active node. This method is preferred over a diminishing returns model. The latter could entice operators to launch several nodes, compromising network transparency by suggesting the system is more decentralized than it truly is.

Departing from conventional Proof-of-Stake models, the size of your stake doesn't influence the weight of your vote in the consensus layer. This guarantees that consensus isn't unduly skewed by stake magnitude, resulting in a more egalitarian consensus process.

## 3.3 Staking-time

To foster enduring commitment among node operators and promote long-term stability within the network, those who maintain their stakes for prolonged durations are granted heightened seniority. This seniority directly enhances their odds of being chosen as an active node, which follows a gamma distribution with an S-curve progression. Specifically, node operators experience a gradual accumulation of seniority during the initial 12 months. This is followed by a more rapid accrual over the subsequent 24 months, after which the seniority growth begins to plateau and gradually diminishes over the next 24 months.



The s-curve model fosters long-term engagement amongst node operators. Simultaneously, it sets an upper cap on accumulated seniority, ensuring that power isn't disproportionately concentrated, thereby safeguarding against centralization in the consensus process.

## 4. Transactions

As more applications are introduced, Users find a broader range of services, prompting them to engage more with the ecosystem and its native token, TGN. This growth isn't just one-sided. There's a positive feedback loop at play: As Tagion Service Providers draw more Users to the network, the growing user base catches the eye of new developers. Sensing the opportunity in this rising demand, they join the ecosystem. Their presence and innovations then attract even more Users, creating a continuous cycle where each wave of users lures in more Tagion Service Providers, and vice versa. It's a cycle where each growth phase fuels the next, creating a continuous loop of expansion. This not only boosts the overall value of the network, but also amplifies the demand for TGN. After all, TGN is the native token of the Tagion Network, serving as a means of payment used by stakeholders when transacting on the network.

Users and Tagion Service Providers may also opt to provide services, goods, or assets that can be purchased or accessed using TGN tokens, further increasing the demand for TGN within the ecosystem.

As an open application network, Tagion meanwhile enables both private and public entities to establish their own subecosystems known as subDARTs. With



the aid of an accessible and user-friendly SDK, these subDARTs can be tailored with bespoke transaction fee structures.

## 5. Treasury

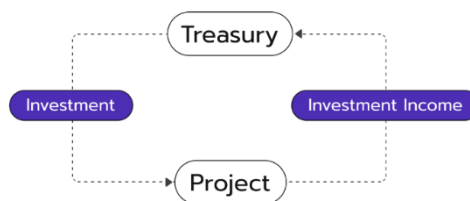
The Tagion Network aspires to evolve into a genuinely democratic system, governed as a commons. In pursuit of this, and after the successful launch of the Tagion Mainnet—defined as when the initial supply of TGN tokens are minted—DECARD will take the lead in rolling out a community treasury, aptly named the Tagion Treasury. Notably, this treasury will fall under the stewardship of a Community Council, composed of Network Participants who commit their TGN to a Governance Pool.

### 5.1 Treasury Funding

The community Treasury will play a pivotal role in the Tagion ecosystem. The Treasury fulfills a dual role consisting in raising capital and spending capital. The Tagion Treasury's design mirrors the management and allocation of resources in conventional economies. It gathers tokens through diverse funding mechanisms, and then burns, redistributes, sells, invests or uses them for market-making purposes based on decisions made by the Community Council.

As the Treasury expands, the incentive to participate in the governance process and stake tokens correspondingly rises. Consequently, the Treasury's size is intimately connected to token demand.

The Treasury's growth can be achieved through multiple avenues. One such method involves profitable investments made by the Community Council:



Funds from the Treasury can also be strategically assigned to professional traders, effectively acting as asset managers, who leverage these resources to invest on behalf of the Treasury, seeking profitable opportunities and contributing to its overall financial health.

The primary means of facilitating the Treasury's growth is, however, through the strategic implementation of various funding channels.

#### 5.1.1 Minting

A cumulative 5bn TGN will be minted into the Treasury wallet during a 20-year period. Tokens will be minted during each epoch, amounting to roughly 80 TGN every ten seconds.

## 5.1.2 Gas Fees

Transactions on the Tagion Network require payment in TGN. At first, these TGN fees will be automatically burned. However, after setting up the Treasury, the full amount of the gas fee will be directed into the Tagion Treasury. This ensures that the Treasury's growth is fueled by transactional activities on the network.

## 5.1.3 Donations

The Donation system encourages Network Participants to contribute to a common pool of funds or resources in exchange for certain benefits, such as increased influence, recognition, or rewards. This approach shares some similarities with philosopher [Peter Sloterdijk's ideas on philanthropy](#), by emphasizing the importance of public recognition and rewards for entities that contribute to the greater good.

In the context of the Tagion Network, Donations can be a mechanism to incentivize network participants, here referred to as Donors, to actively contribute to the network's development and improvement. Donors will be rewarded with elevated network reputation, and visibility.

Additionally, each month, the Treasury conducts a lottery where Donors have the chance to win a bonus equal to x% of the total amount of tokens collected during the donation period. The more tokens a Donor contributes, the more lottery tickets they receive, and thus, the higher their chances of winning the bonus become. This lottery system encourages Donors to contribute more tokens to the Treasury, as doing so increases their probability of winning the bonus reward.

This lottery-based approach fosters a competitive and gamified environment in which Donors are encouraged to contribute to the network's development. By creating a system where the rewards are distributed in a lottery fashion, the Tagion Treasury can maintain a level of excitement and engagement among its participants while promoting the importance of voluntary contributions for the network's ongoing development and success.

## 5.1.4 Treasury Bonds

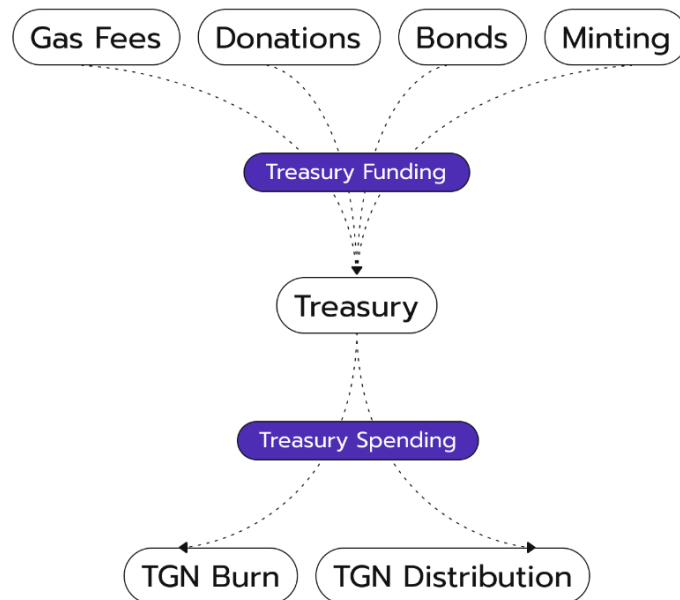
As a supplementary funding mechanism, the Community Council may opt to issue bonds to fund Treasury initiatives. The Community Council will determine both the interest rate on bonds and the number to be issued. Several factors are considered when deciding on the volume and interest rate of bonds to be issued. These include the current and projected Treasury needs, the prevailing economic environment, the supply of TGN in the market, and the appetite of investors for the bonds.

Upon purchasing a bond, TGN is channeled into the treasury, where it can be allocated for various purposes. But unlike other treasury assets, the proceeds

from bond issuances cannot be burned. This is due to the fact that the burning process would reduce token supply, potentially rendering it difficult to honor the promise to pay back bondholders.

Bondholders seeking to liquidate their bonds prior to maturity can do so using the Exchange Protocol. On the Exchange Protocol, the Treasury remains prepared to facilitate these transactions, purchasing bonds at a discounted rate. The exact discount is contingent upon the remaining time until the bond's maturity. This mechanism not only provides an exit strategy for investors wanting to offload their bond holdings, but it also enables the treasury to accumulate TGN at a reduced cost. Therefore, it simultaneously nurtures the growth of the treasury and provides liquidity to investors, proving advantageous to both parties.

## 5.2 Treasury Spending



Once funds have been allocated to the Treasury, they can be harnessed for a myriad of purposes such as burning, investment, distribution, or potential sale. Ultimately, the management of the treasury rests with the Community Council in collaboration with the Proposal Council.

## 5.3 Treasury Governance

Treasury co-ownership promotes transparency, trust, and accountability, as Tagion stakeholders collectively participate in decision-making processes and

oversee the allocation of resources. This shared governance structure helps ensure that the network's growth and development are in line with the interests of its stakeholders, rather than being driven by the agendas of a select few.

The governance framework encompasses two key public entities: the Proposal Committee and the Community Council.

### 5.3.1 Proposal Committee

The Community Council reviews and votes on proposals submitted by the Proposal Committee, which is notably elected by the Community Council itself.

Once a proposal is deemed ripe for submission, Governance Voting will commence, empowering the Community Council to exercise its decisive authority. Each proposal undergoes the process of being submitted to the Network as a smart contract. If the proposal gets accepted by the Community Council, the smart contract is automatically executed. For example, should the Proposal Committee propose an investment by the Tagion Treasury into Company A, a smart contract is created. This contract includes the wallet address of Company A, investment documents, and the specified amount to be invested. Upon successful passage of the proposal by the Community Council, the smart contract is executed automatically, ensuring complete transparency in the process.

This approach guarantees that all actions and transactions related to approved proposals are conducted openly and with full visibility, contributing to a transparent governance framework within the Tagion ecosystem. It is also important to note that the Proposal Committee operates strictly under the principle of democratic decision-making. Without a formal vote, the Proposal Committee holds no authority to initiate any actions. This guarantees that choices are made collectively and democratically, with the guiding force of the majority shaping the course of action.

### 5.3.2 Community Council

The Community Council will be governing the Tagion Treasury and comprises Network Participants who stake their TGN in a Governance Pool. Staked tokens are withdrawn from the circulating supply, thus creating a mechanism that inherently amplifies the demand for TGN while simultaneously contracting its supply.

The weight of each member's vote resembles that of Tagion's Proof-of-Stake model, and is accordingly determined by two factors:

1. *the number of tokens staked.*
2. *the duration of staking.*

The weighted voting approach ensures that stakeholders who are more invested in the network's long-term success have a stronger influence in the decision-making process.

To maintain decentralization and prevent concentration of power, each Community Member can stake a maximum of 1m TGN. This cap on staking ensures that voting processes remain representative of the wider community.