



Covalent X Token

MiCA WHITE PAPER

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Date of Notification

2024-03-27

Compliance Statements

- The Covalent X Token MiCA white paper ("White Paper") has not been approved by any competent authority in any Member State of the European Union.
- The offeror of the crypto-asset is solely responsible for the content of this White Paper.
- Where relevant, in accordance with Article 6(3), second subparagraph of Regulation (EU) 2023/1114, reference shall be made to 'person seeking admission to trading' or to 'operator of the trading platform' instead of 'offeror'.
- This White Paper complies with Title II of Regulation (EU) 2023/1114 and, to the best of the knowledge of the management body, the information presented in the White Paper is fair, clear and not misleading, and the White Paper makes no omission likely to affect its import.

- The utility token referred to in this White Paper may not be exchangeable against the good or service promised in the White Paper, especially in the case of a failure or discontinuation of the crypto-asset project.
- The crypto-asset referred to in this White Paper is not covered by the investor compensation schemes under Directive 97/9/EC of the European Parliament and the Council.
- The crypto-asset referred to in this White Paper is not covered by the deposit guarantee schemes under Directive 2014/49/EU of the European Parliament and the Council.

Summary

Warning

- This summary should be read as an introduction to the White Paper.
- The prospective holder should base any decision to purchase this crypto-asset on the content of the White Paper as a whole and not on the summary alone.
- The offer to the public of this crypto-asset does not constitute an offer or solicitation to purchase financial instruments, and any such offer or solicitation can be made only by means of a prospectus or other offer documents pursuant to the applicable national law.
- This White Paper does not constitute a prospectus as referred to in Regulation (EU) 2017/1129 of the European Parliament and the Council (36) or any other offer document pursuant to Union or national law.

Characteristics Of The Crypto-Asset

- The Covalent X Token ("CXT") is the network access token of the Covalent Network or the digital key to access certain functionalities (utility) in the context of the Covalent Network.
- CXT facilitates the supply of verified blockchain data with long-term archival guarantees in a scalable manner and incentivizes participation in the governance and operation of the network infrastructure.
- A Network Operator is a participant on the Covalent Network who operates Block Specimen Producer or Block Result Producer infrastructure to extract, verify, transform, and store blockchain data on IPFS and confirm the availability of that data for downstream applications and services to use.
- Staking CXT is a requirement to participate as a Network Operator; a participant must stake between 35,000 and 350,000 CXT for a minimum of 6 months, during which they are non-transferable.

described in this White Paper; for example, a participant would be required to comply with the Covalent Network policies and procedures to be a Network Operator.

- A CXT holder who does not desire to participate as a Network Operator can delegate CXT to Network Operators instead and help secure the Covalent Network.
- Network Operators receive CXT as payment for the data that they extract, verify, transform, and store on IPFS.
- These payments can be slashed for incorrect or dishonest work.
- Delegators share in the CXT payment pro rata based on the CXT staked minus a fee to the Network Operator.
- Downstream, the data produced by Covalent Network is used by applications and service providers, such as digital asset wallets, data analytics applications, and API providers.
- CXT holders can vote on chain (and via the Covalent Network snapshot webpage) on proposals to change specific network parameters, such as the delegation amount limit per Network Operator or the payment to Network Operators per unit of extracted and verified data (Block Specimen and Block Result).
- CXT is not, and not intended to be, a medium of exchange accepted by the public (or a section of the public) as payment for goods or services or for the discharge of debt outside of the Covalent Network.
- CXT does not in any way represent any shareholding, voting right, profit sharing, participation, right, title, or interest in the entities developing the Covalent Network, any distributor of CXT or sale platform, sale partner or exchange, their respective affiliates, or any other company, enterprise or undertaking, nor will CXT entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in any relevant jurisdiction.
- CXT may only be utilized on the Covalent Network, and ownership of CXT carries no rights, express or implied, other than the right to use CXT to enable usage of and interaction within the Covalent Network.
- CXT is designed to be transferable to facilitate its function within the Covalent Network.

Information About The Quality And Quantity Of Goods Or Services To Which The Utility Tokens Give Access And Restrictions On The Transferability

- There are a total of 1 billion CXT. Network Operators and Delegators who stake and lock up CXT gain the right to run and participate in infrastructure to extract,

- Additionally, CXT is utilized within the network to participate in governance, with each CXT receiving one vote on proposals to change network parameters.
- CXT cannot be redeemed for monetary value.
- CXT is issued on a public blockchain (Ethereum), where only the private key holder can authorize transfers to other addresses.
- Once transferred, associated rights and obligations are also transferred.

Key Information About The Offer To The Public Or Admission To Trading

- This whitepaper is being notified for the purpose of admitting CXT to trading on Bitstamp.
- CXT is already admitted to trading on the following centralized exchanges: OKX, Crypto.com, Gate.io, KuCoin, Kraken, HTX, and MEXC Global, all of which were established prior to the implementation of MiCAR.
- There is no public offering of CXT associated with this whitepaper.
- No new issuance, fundraising, or subscription period is taking place in connection with the Bitstamp listing.
- As such, there are no target subscription goals, issue price, subscription fees, or early-purchaser discounts applicable.

Part I – Information on risks

Subject only to the limitations and requirements of MiCA and applicable mandatory statutes, each user of the crypto-asset as covered by this White Paper acts in their own sole responsibility and at their own sole risk. All liability with regard to the risks mentioned herein is excluded as far as legally permissible. Holders and users of CXT should evaluate these risks carefully.

I.1 Offer-Related Risks

- **Third-Party Risk:** In cases where crypto-assets are admitted to trading at a third party, there is a risk that the third party may fail to fulfill their obligations due to incapacitation of key developers and project members, force majeure, insolvency, compliance issues, or fraud, potentially resulting in loss of crypto-assets.
- **Regulatory Compliance Risks:** Crypto-asset service providers, such as operators of an exchange, must follow various regulations in different jurisdictions. Non-compliance may lead to fines, sanctions, or bans on the offering, affecting its success and market acceptance.

impact the legality, usability, or value of a crypto-asset.

I.2 Issuer-Related Risks

- While Covalent Network Corporation has put in motion the Covalent Network project, CXT will not rely on the continued operations, services, or support of Covalent Network Corporation for its life, existence, intrinsic functionality, usability, or value.
- **Regulatory Compliance Risks:** Issuers of crypto-assets must adhere to a wide array of regulatory requirements across different jurisdictions. Non-compliance can result in fines, sanctions, or the prohibition of the crypto-asset offering, impacting its viability and market acceptance.
- **Operational Risks:** These include risks related to the issuer's internal processes, personnel, and technologies, which can affect their ability to manage crypto-asset operations effectively. Failures in operational integrity might lead to disruptions, financial losses, or reputational damage.
- **Financial Risks:** Issuers face financial risks, including liquidity, credit, and market risks. These could affect the issuer's ability to continue operations, meet obligations, or sustain the stability or value of the crypto-asset.
- **Legal Risks:** Legal uncertainties, potential lawsuits, or adverse legal rulings can pose significant risks to issuers. Legal challenges may affect the legality, usability, or value of a crypto-asset.
- **Fraud and Mismanagement Risks:** There is a risk of fraudulent activity or mismanagement by the issuer, which can directly impact the usability or value of a crypto-asset or damage the project's credibility.
- **Reputational Risks:** Negative publicity, whether due to operational failures, security breaches, or association with illicit activities, can damage an issuer's reputation and, by extension, the value and acceptance of the crypto-asset.
- **Technology Management Risks:** Inadequate management of technological updates or failure to keep pace with technological advancements can render a crypto-asset or the project it is connected to, obsolete or vulnerable to security risks.
- **Dependency on Key Individuals:** The success of some crypto projects can be highly dependent on the expertise and leadership of key individuals. Loss or changes in the project's leadership can lead to disruptions, loss of trust, or project failure.
- **Conflicts of Interest:** Risks arise when the issuer's interests do not align with those of the crypto-asset holders, potentially leading to decisions that are not in the best interests of the asset holders, impacting the value of a crypto-asset, or damaging the credibility of the project.

affect the issuer's operations.

I.3 Crypto-Assets-Related Risks

- **Market Risk:** Crypto-assets are highly volatile, with prices subject to significant fluctuations due to market sentiment, regulatory news, technological advancements, and macroeconomic factors.
- **Liquidity Risk:** Some crypto-assets may suffer from low liquidity, making it difficult to buy or sell large amounts without affecting the market price, which could lead to significant losses, especially in fast-moving market conditions.
- **Custodial Risk:** Risks associated with the theft of crypto-assets from exchanges or wallets, loss of private keys, or failure of custodial services, which can result in the irreversible loss of crypto-assets.
- **Smart Contract Risk:** crypto-assets might be connected to or be issued with the help of smart contracts. Smart contracts are code running on a blockchain, executing the programmed functions automatically if the defined conditions are fulfilled. Bugs or vulnerabilities in smart contract code can expose blockchain users to potential hacks and exploits. Any flaw in the code can lead to unintended consequences, such as the loss of crypto-assets or unauthorized access to sensitive data.
- **Regulatory and Tax Risk:** Changes in the regulatory environment for crypto-assets (such as consumer protection, taxation, and anti-money laundering requirements) could affect the use, value, or legality of crypto-assets in a given jurisdiction.
- **Risk of Additional Token Issuances:** CXT holders, through governance, may decide to issue additional CXT in the future, to which CXT holders may not have any rights to.
- **Risk of Token Upgrades:** It is possible that CXT could be updated or upgraded in the future. An upgrade to how CXT is used may be required or recommended, and non-participation in such an upgrade may mean no longer being able to use CXT, and any non-upgraded CXT may lose its utility functionality in full.
- **Unanticipated Risks:** Cryptographic tokens are a relatively new and untested technology. In addition to the risks discussed in this White Paper, there are risks that Covalent cannot anticipate. Further risks may materialize as unanticipated combinations or variations of the discussed risks or the emergence of new risks.
- **Counterparty Risk:** In cases where CXT is held on exchanges, there is a risk that the counterparty may fail to fulfill their obligations due to insolvency, compliance issues, or fraud, resulting in the loss of crypto-assets.
- **Reputational Risk:** An association with illicit activities, high-profile thefts, or technological failures can damage the reputation of certain crypto-assets,

available” basis, with reasonable level of care, without warranties of any kind, and the Covalent Network Corporation expressly disclaims all implied warranties as to CXT, the Network including, without limitation, implied warranties of merchantability, fitness for a particular purpose, title, and non-infringement;

- (ii) the Covalent Network Corporation does not warrant that CXT and/or, the Covalent Network are reliable, current or error-free, meet CXT’s requirements, or that defects in CXT, the Covalent Network will be corrected;
- and (iii) the Covalent Network Corporation cannot and does not warrant that CXT, the software code of CXT’s smart contracts, or the delivery mechanism for CXT or the Covalent Network, are free of viruses or other harmful components.

I.4 Project Implementation-Related Risks

- **Execution Risk:** The project's success relies on the seamless deployment of decentralized infrastructure, which may face challenges such as software bugs, smart contract vulnerabilities, or compatibility issues across devices and protocols.
- **Adoption and Scalability:** Achieving widespread adoption of the Covalent Network requires effective onboarding of Network Operators. Additional Network Operators can help scale the data extraction, verification, transformation, and storage process and the project's utility.
- **Operational and Resource Dependency Risks:** The project depends on contributions from Network Operators. Any disruptions to Network Operators may degrade Covalent Network performance and service quality.
- **Governance Issues:** Disagreements or conflicts in governance decisions, especially regarding protocol upgrades or changes, could lead to forks or delays in Covalent Network development

I.5 Technology-Related Risks

- **Private Key Management Risk and Loss of Access to crypto-assets:** The security of crypto-assets heavily relies on the management of private keys, which are used to access and control the crypto-assets (e.g., initiate transactions). Poor management practices and the loss or theft of private keys or respective credentials can lead to irreversible loss of access to crypto-assets.
- **Settlement and Transaction Finality:** By design, a blockchain’s settlement is probabilistic, meaning there is no absolute guaranteed finality for a transaction. There remains a theoretical risk that a transaction could be reversed or concurring versions of the ledger could persist due to exceptional circumstances such as forks or consensus errors. The risk diminishes as more blocks are added,

sent to a wrong address cannot be retrieved, resulting in the loss of the sent crypto-assets.

- **Scaling Limitations and Transaction Fees:** As the number of users and transactions grows, a blockchain network may face scaling challenges. This could lead to increased transaction fees and slower transaction processing times, affecting usability and costs.
- **Economic Self-Sufficiency and Operational Parameters:** A blockchain network might not reach the critical mass in transaction volume necessary to sustain self-sufficiency and remain economically viable to incentivize block production. In failing to achieve such an inflection point, a network might lose its relevance, become insecure, or result in changes to the protocol's operational parameters, such as the monetary policy, fee structure, consensus rewards, governance model, or technical specifications such as block size or intervals.
- **Network Attacks and Cyber Security Risks:** Blockchain networks can be vulnerable to a variety of cyber-attacks, including 51% attacks, where an attacker gains control of the majority of the network's consensus, Sybil attacks, or DDoS attacks. These can disrupt the network's operations and compromise data integrity, affecting its security and reliability. Any such successful attacks could result in theft or loss of CXT, adversely impacting the ability to participate in governance and deriving any usage or functionality from CXT. Additionally, these incidents may disrupt Covalent Network's operations.
- **Protocol Vulnerabilities:** Even with thorough testing, there is always a risk that unknown bugs may exist in a blockchain protocol, which could be exploited to disrupt network operations or manipulate account balances.
- **Smart Contract Security Risk:** Smart contracts are code running on a blockchain, executing the programmed functions automatically if the defined conditions are fulfilled. Bugs or vulnerabilities in smart contract code can expose blockchain networks to potential hacks and exploits. Any flaw in the code can lead to unintended consequences, such as the loss of crypto-assets or unauthorized access to sensitive data.
- **Dependency on Underlying Technology:** Blockchain technology relies on underlying infrastructures, such as specific hardware or network connectivity, which may themselves be vulnerable to attacks, outages, or other interferences.
- **Risk of Technological Disruption:** Technological advancements or the emergence of new technology could impact blockchain systems or components used in it, by making them insecure or obsolete (e.g., quantum computing breaking encryption paradigms). This could lead to theft or loss of crypto-assets or compromise data integrity on the network.
- **Governance Risk:** Governance in blockchain technology encompasses the mechanisms for making decisions about network changes and protocol

integrity. Moreover, there is a risk of disproportionate influence by a group of stakeholders, leading to centralized power and decisions that may not align with the broader public's interests.

- **Anonymity and Privacy Risk:** The inherent transparency and immutability of blockchain technology can pose risks to user anonymity and privacy. Since all transactions are recorded on a public ledger, there is potential for sensitive data to be exposed. The possibility for the public to link certain transactions to a specific address might expose it to phishing attacks, fraud, or other malicious activities.
- **Data Corruption:** Corruption of blockchain data, whether through software bugs, human error, or malicious tampering, can undermine the reliability and accuracy of the system.
- **Third-Party Risks:** Crypto-assets often rely on third-party services such as exchanges and wallet providers for trading and storage. These platforms can be susceptible to security breaches, operational failures, and regulatory non-compliance, which can lead to the loss or theft of crypto-assets.

I.5 Mitigation Measures

- **Auditing, Testing, and Bug Bounties:** All smart contracts related to Covalent Network are thoroughly audited and subjected to rigorous testing to identify and resolve vulnerabilities. These audits are performed by third-party security experts proficient in blockchain technology, providing a comprehensive review of each respective smart contract. The smart contract code is made publicly available and audits of the smart contracts are made publicly available. Bug bounties are available to community members who report vulnerabilities increasing the likelihood of detecting any vulnerabilities in the code base before any exploit.
- **Blockchain Selection:** The network operates on Ethereum and Moonbeam, a secure, widely adopted blockchain to minimize the risks of forks or attacks.

Part A - Information About The Offeror Or The Person Seeking Admission To Trading

Business Activity

Purpose

Covalent Network Corporation's purpose is to support and promote the development and adoption of Covalent Network, a decentralized, data extraction, verification, and transformation protocol that provides access to verified blockchain data in a scalable

build blockchain applications (such as wallets, taxation tools, decentralized finance, data analytics) that utilize blockchain data. Covalent Network's decentralized data pipeline includes Block Specimen Producers, Block Result Producers (and Light Clients, in testing) ensuring the long-term integrity, reliability, and accessibility of blockchain data, enabling innovations in AI and other emerging industries.

Financial Condition for the Past Three Years

Covalent Network Corporation raised \$15M through private and public sales of CXT (from August 2020 through May 2021). Over the past three years, this capital has been used to support protocol development, operational infrastructure, ecosystem partnerships, and go-to-market efforts. Covalent Network Corporation has no significant debt obligations and continues to operate from reserves held in both fiat and crypto assets, which are managed to ensure long-term sustainability. The company does not currently publish audited annual financial statements. However, key non-financial performance indicators include a total network stake of over 302 million CXT, representing approximately 33% of the circulating supply. The current Total Value Locked (TVL) across the network is over \$9.9 million USD. The network supports 35 Operators, including 21 Block Specimen Producers, 13 Block Result Producers, and 1 Query Node Operator. Over 1,000 Light Client Operators participated in the testnet (Q4 2024 + Q1 2025). There have been no unusual or infrequent events that have materially affected income or operations over the past three years. The share capital of Covalent Network Corporation is \$50,000.

Part B - Information About the Issuer, if Different from the Offeror or Person Seeking Admission to Trading

Not Applicable

Part C - Information About The Operator Of The Trading Platform In Cases Where It Draws Up The Crypto-Asset White Paper And Information About Other Persons Drawing The Crypto-Asset White Paper Pursuant To Article 6(1), Second Subparagraph, Of Regulation (Eu) 2023/1114

Not Applicable

Crypto-Asset Project Name

Covalent Network

Crypto-Assets Name

Covalent X Token

Abbreviation

CXT

Crypto-Asset Project Description

Covalent Network is a blockchain data extraction, verification, and transformation infrastructure layer dedicated to solving the long-term data availability and data verifiability problems in blockchains, which is important for use cases that rely on verified blockchain data, such as wallets, data analysis, and AI. CXT is used within Covalent Network to grant access to participants (Network Operators and Delegators) in the data extraction, transformation, and verification process and is staked by Network Operators to keep them honest (at data extraction, transformation and verification) and provide security to the network, to reward Network Operators and Delegators for honest work, and to support the governance of Covalent Network (updating of Covalent Network parameters).

Utility Token Classification

TRUE

Key Features of Goods/Services for Utility Token Projects

- **Network Access.** Running Covalent Network infrastructure in the role of Block Specimen Producer or Block Results Producer requires staking of between 35,000 CXT and 350,000 CXT for 6 months to be able to participate in the blockchain data extraction, verification, and transformation process.
- **Delegators** can add security to the data verification process by delegating their CXT to Block Specimen Producer Network Operators, which is staked for 14 days.
- **Governance.** CXT is used for governance, whereby CXT holders vote on proposals to change Covalent Network parameters (such as the amount of CXT required Block Specimen Producers or Block Results Producers to participate in Covalent Network and the payments to the Block Specimen Producers or Block

Plans for the Token

In 2025 and beyond, the token's utility may be expanded by introducing new use cases related to the verified blockchain data and AI, for example, using CXT to interact with AI agents, such as paying for inference. Additionally, the Light Client Network Operator role is expected to move from testing to being fully operational and incorporated into the Covalent Network in 2025.

Resource Allocation

Covalent Network Corporation offers grants to teams and individuals sharing the vision of the Covalent Network, including for research, development, marketing, and business development.

Planned Use of Collected Funds or Crypto-Assets

The crypto-assets are intended to incentivize and facilitate the development and operation of the Covalent Network to produce verified blockchain data that is available on a long-term basis in a scalable manner and an ecosystem of applications and services that use the data produced by the network. Previous proceeds raised (from the private and public sale of CXT) have been used to develop and promote the adoption of the Covalent Network.

Part E - Information About The Offer To The Public Of Crypto-Assets Or Their Admission To Trading

Public Offering or Admission to Trading

ATTR

Reasons for Public Offer or Admission to Trading

The admission of CXT to trading is intended to enhance its accessibility as a utility token and to increase the adoption of the Covalent Network. Admission to trading helps ensure broad participation and decentralization in the Covalent Network. The decentralized nature of Covalent Network benefits from widespread token distribution, which fosters community engagement, increases security (of the data extraction, verification, and transformation process), and helps achieve the network effects necessary for scalability and long-term sustainability.

Total Number of Offered/Traded crypto-assets

Targeted Holders

ALL

Holder Restrictions

The purchase and holding of CXT are subject to restrictions in compliance with applicable laws and regulations. Specifically, CXT cannot be purchased or held by individuals or entities located in or operating from sanctioned countries, as determined by international sanctions lists and regulatory authorities. Outside the EEA, due to the lack of regulatory clarity for crypto-assets that are utility tokens, restrictions may be imposed to limit trading to purchasers with specific statuses or levels of sophistication.

Transfer of Purchased Crypto-Assets

CXT is transferred on the Ethereum blockchain

Purchaser's Technical Requirements

To purchase, hold, and use CXT, users must have a digital wallet (hardware or software) compatible with the ERC-20 standard. A reliable internet connection and an up-to-date browser or app are required for transactions. It is recommended that users implement private key storage and backup measures. Purchasers on exchanges may have to comply with platform-specific security protocols. Basic knowledge of blockchain technology and cryptographic tokens is also recommended to ensure secure and informed usage of CXT.

Placement Form

NTAV

Trading Platform Name

This whitepaper is being notified for the purpose of the admission of CXT to trading on Bitstamp. CXT is already admitted to trading on the following platforms: OKX, Crypto.com, Gate.io, KuCoin, Kraken, HTX, and MEXC Global.

Trading Platforms Market Identifier Code (MIC)

BESA

Trading Platforms Access

Part F - Information about the crypto-assets

Crypto-Asset Type

Utility Token

Crypto-Asset Functionality

CXT's functions can be broadly broken down into the following: * **Network Access:** Running Covalent Network infrastructure in the role of Block Specimen Producer or Block Results Producer requires staking of between 35,000 CXT and 350,000 CXT for 6 months to participate in the blockchain data extraction, verification, and transformation process. * **Delegators** can add security to the data verification process by delegating their CXT to Block Specimen Producer Network Operators which is staked for 14 days. * CXT is paid to Network Operators and Delegators for honestly fulfilling their roles and performing work on the network, such as extracting, verifying, and transforming blockchain data. * **Payment for honest participation in the Covalent Network:** Network Operators and Delegators who extract, verify, and transform blockchain data correctly and honestly receive payment for their work. * **Governance:** CXT is used for governance, whereby CXT holders vote on proposals to change Covalent Network parameters, such as, the amount of CXT required by Block Specimen Producers or Block Results Producers to participate in Covalent Network and the payments to the Block Specimen Producers or Block Results Producers for successful extraction, verification, and transformation of blockchain data.

Planned Application of Functionalities

The Covalent Network was launched in June 2021 and the described functionalities of CXT are already operational. In the future, additional functionality may be added, such as, access to additional Network Operator roles (such as, Light Client operators that validate the long-term availability of the extracted, verified, and transformed data), as well as for use with AI (such as, AI agents interacting with Covalent Network's extensive reservoir of structured, verifiable data). However, no future applications or functionalities are certain to be developed.

Type of White paper

OTHR

The Type of Submission

NEWT

CXT is a crypto-asset as defined by article 3 (1) (5) of MiCA and, more specifically, a utility token pursuant to article 3 (1) (9) of MiCA, the Consultation and the Guidelines. CXT serves as the network access and governance token of the Covalent Network.

Commercial Name or Trading Name

Covalent Network Corporation

Website of the Issuer

covalenthq.com

Starting Date of Offer to the Public or Admission to Trading

2025-01-16

Publication Date

2024-12-30

Any Other Services Provided by the Issuer

None at the moment.

Identifier of Operator of the Trading Platform

The Segment MIC for the trading platform operated by Bitstamp is BESA.

Language or Languages of the White Paper

English

Digital Token Identifier Code Used To Uniquely Identify The Crypto-Asset Or Each Of The Several Crypto-Assets To Which The White Paper Relates, Where Available

Not available at the moment.

Functionally Fungible Group Digital Token Identifier, where available

Not available at the moment.

Voluntary Data Flag

Personal Data Flag

False

LEI Eligibility

Not Applicable

Home Member State

Malta, pursuant to Article 3 (33) (c) of Regulation (EU) 2023/1114.

Host Member States

All EU/EEA

Part G - Information On The Rights And Obligations Attached To The Crypto-Assets

Purchaser Rights and Obligations

CXT is a utility token that serves as the network access, payment, and governance token for the Covalent Network. Holders of CXT are granted the following rights: * The right to delegate CXT with a Network Operator that is extracting, verifying, and transforming data and to receive a share of the payment for the data processed by the Network Operator delegated to; * The right to participate in a decentralized governance process, including voting on specific network parameters, such as the amount of stake required by Network Operators and the payment amount Network Operators receive for performing correct and honest work.

It is important to note that these governance rights are restricted solely to certain operational aspects of Covalent Network and do not extend to the ownership, management, or operation of Covalent Network Corporation, its affiliates, or their assets. Holding CXT does not provide rights to CXT holders other than those rights explicitly provided within this White Paper, as well as under MiCA regulation and applicable laws. Instead, the CXT enables their holders to interact with the Covalent Network, which functions as a decentralized, verifiable, blockchain data extraction and transformation infrastructure that operates autonomously. The Covalent Network Corporation, to the fullest extent permitted by applicable laws, disclaims all warranties, whether express or implied, including, but is not limited to, implied warranties of merchantability and fitness for a particular purpose. Moreover, to the fullest extent permissible by applicable laws, Covalent Network Corporation is not

damages, including direct, indirect, incidental, punitive, and consequential damages. In 2024, Covalent Network Corporation conducted a network migration from CQT to CXT on a 1:1 basis. This migration did not affect the rights, functionality, or utility of the CXT token as described above. CQT is no longer supported, and all rights and obligations, if any, now apply exclusively to CXT.

Exercise of Rights and Obligation

To exercise the rights associated with CXT within the Covalent Network, holders must maintain possession (control) of their tokens.

Network Access and Participation via Network Operator Role

Professional validators can participate in the Covalent Network as Network Operators (Block Specimen Producers and Block Results Producers). Professional validators who desire to participate in the Covalent Network are required to meet certain technical and operational requirements, adhere to the network's policies and procedures, and be approved to participate as a Network Operator by Covalent Network Corporation or governance vote. Additionally, they are required to stake between 35,000 and 350,000 CXT for a minimum of 6 months.

Network Access and Participation via Delegation

CXT holders can participate in the Covalent Network by delegating their tokens to Network Operators via the Covalent Network website, which provides an interface to the relevant smart contracts. CXT holders with high technical knowledge may directly delegate their tokens to Network Operators via the relevant smart contracts. The Covalent Network website provides documentation pertaining to network access and participation via delegation.

Governance Participation

CXT holders can vote on-chain (via the Covalent Network snapshot webpage) on proposals to change specific network parameters, such as the delegation amount per Network Operator or the payments to Network Operators for the extracted and verified data. Each CXT can be used to vote once per proposal.

Conditions for Modifications of Rights and Obligations

The rights and obligations associated with CXT within the Covalent Network may only be modified through the network's decentralized governance process. Any proposed changes must be submitted as a formal governance proposal and are subject to the

must receive greater than 50% approval to pass. * **Voting Period:** Governance proposals are open for voting for a period of 2 to 6 days. * **Implementation:** If the quorum is met within the stipulated time, Covalent Network will execute the vote in accordance with the majority decision. * **Transparency:** All proposed modifications, their rationale, and supporting documentation are made publicly accessible to token holders. * **Compliance:** Any modifications must align with applicable laws, regulations, and the foundational principles of the Covalent Network.

Future Public Offers

Not Applicable

Issuer Retained Crypto-Assets

~50 million CXT (5% as reserve/treasury)

Utility Token Classification

TRUE

Key Features of Goods/Services of Utility Tokens

- Covalent Network access and participation.
- Payment for honest participation in the Covalent Network.
- Governance participation.

Utility Tokens Redemption

The Covalent Network website provides an interface to the smart contract that allows CXT holders to delegate CXT to Network Operators. CXT cannot be redeemed for monetary value. They can be used solely for network access, participation, and governance.

Non-Trading Request

TRUE

Crypto-Assets Purchase or Sale Modalities

CXT is available on various trading platforms (such as Uniswap, OKX, Kucoin, and Kraken), enabling broader access and liquidity for all market participants. Trading pairs include CXT/USDT, CXT/USD, CXT/WETH, and CXT/EUR. No representations or warranties of any kind are made concerning the availability, transferability, or

maintenance of any specific trading pairs involving CXT tokens.

Crypto-Assets Transfer Restrictions

There are no inherent permanent restrictions on transferability other than compliance with applicable laws and regulations.

Supply Adjustment Protocols

FALSE

Supply Adjustment Mechanisms

1,000,000,000 CXT were minted at genesis. Any increase in supply would require a governance process and vote by CXT holders.

Token Value Protection Schemes

FALSE

Compensation Schemes

TRUE

Token Compensation Schemes Description

Network Operators and Delegators who extract, verify, and transform blockchain data correctly and honestly receive payment for their work. The amount of payment is set via a governance process.

Applicable Law

CXT shall be governed by and interpreted in accordance with the laws of the British Virgin Islands.

Competent Court

Subject to mandatory applicable law, any dispute arising out of or in connection with this White Paper and all claims in connection with CXT shall be exclusively, including the validity, invalidity, breach, or termination thereof, subject to the jurisdiction of the courts in the British Virgin Islands.

Part H – Information on the Underlying Technology

General Information on Distributed Ledger Technology and Blockchain

Distributed Ledger Technology (DLT) describes a decentralized and distributed network system architecture where multiple participants maintain and verify a shared database. Unlike traditional databases, DLT systems do not rely on a central authority to ensure data consistency and security. Instead, they distribute control across a network of computers (nodes) and require all changes to be recorded and agreed by the nodes. This distributed approach enhances the resilience and security of such a system, and transparency of the data stored in it without the need for trust between the actors of the systems. Blockchain technology is a subset of DLT, where the distributed database maintains a continuously growing list of records, called blocks, which are linked together in chronological order and secured using cryptographic techniques. A blockchain generally has the following key characteristics: *

Distribution: A blockchain operates on a network of nodes, each holding a copy of the ledger and participating in the transaction verification and synchronization process. * **Security:** Blockchain employs advanced cryptographic methods to secure data. Each block contains a cryptographic hash (a 'digital fingerprint') of the previous block, a timestamp, and transaction data. This structure ensures that once data is recorded, it cannot be altered retroactively without also changing all subsequent blocks, which would require consensus from the majority of the network nodes. *

Transparency and Immutability: Transactions on a blockchain are usually visible to all participants in the network, providing transparency. Once a transaction is confirmed and added to the blockchain, it is virtually immutable due to the cryptographic methods used, meaning it cannot be changed or deleted.

Protocols and Technical Standards

The Covalent Network leverages the Ethereum and Moonbeam blockchains as its foundational infrastructure for smart contract operations, ensuring robustness and scalability. Covalent Network protocol consists of various roles. A participant may function in one or all of these roles. The roles have very different operational requirements; however, participants are expected to self-select into the subset of roles that best suit their capabilities. The roles are: * Block-Specimen Producer * Block Result Producer * EWM Light Client (on test net) * Delegator

Each role is required to stake a certain amount of CXT to become operational on the Covalent Network and to receive payment for performing the duties of their role correctly and honestly. This process is similar to how Proof-of-Stake works on Ethereum, providing an incentive to act honestly, as roles risk losing CXT via slashing if they act maliciously or fail to perform their duties properly. By requiring Network Operators to stake CXT, the Covalent Network is able to maintain a high level of security and integrity while also encouraging participation and decentralization from

clients, including Geth and Erigon. While running this implementation against external chains, Block Specimen Producers produce Block Specimens as outputs, all while performing the additional responsibilities of the node. They then publish the produced Block Specimens to a storage layer (currently, IPFS, which can, for efficiency, also be run by the same validator on the same hardware) and then publish a Block-Specimen production-proof transaction to a smart contract on Moonbeam. This proof transaction is rewarded with CXT (via a smart contract on Ethereum) provided there is a consensus amongst Block Specimen Producers determined by the majority submission hashes.

Block Results Producers

Block Results are a transformation of Block Specimens that add the side effects of executing a block back into the Block Specimen. Block Result Producers are operators that behave similarly to Block Specimen Producers in that they produce an output, publish it to the storage layer (IPFS), and then publish the content-hash of that output to the proving contract on Moonbeam for a CXT payment (received on Ethereum). The difference between the two node types is that while Block Specimen Producers must have access to fast nodes of external blockchains, Block Result Producers must merely have access to the storage layer and proof layer.

Light Client (In Testing)

Light Client is a lightweight, resource-efficient software client designed to validate the long-term availability of blockchain data within the Covalent Network. Unlike full nodes, which store the entire blockchain and perform all the tasks required to maintain the network, the Light Client focuses solely on confirming the presence of data. It checks the existence and integrity of Block Specimens—snapshots of blockchain data—that have been stored on a storage layer (IPFS) and ensures they meet the necessary cryptographic proofs before they are recorded in the Covalent Network. This approach allows a broader range of participants to engage in the validation process without needing extensive hardware or storage, contributing to a more decentralized and secure network.

Delegators

CXT holders that do not have the capability to set up, operate, and run Covalent Network infrastructure required for other network roles as a Network Operator can delegate their tokens to Network Operators. Delegators have the upside of being able to partake in the verified data economy by providing their CXT as security to the data extraction, verification, and transformation process conducted by the Network

Technology Used

To enhance security, the Covalent Network utilizes smart contracts on Ethereum and Moonbeam that have undergone rigorous auditing, and detailed reports are available on the Covalent Network website.

Consensus Mechanism

Not applicable (CXT is an ERC-20 on Ethereum and relies on Ethereum's PoS consensus; the smart contracts used by Covalent Network operate on Ethereum and Moonbeam which use PoS and DPoS consensus respectively).

Incentive Mechanisms and Applicable Fees

- Ethereum gas fees paid to validators for processing and validating transactions on Ethereum.
- Moonbeam gas fees paid to validators for processing and validating transactions on Moonbeam.
- CXT is paid to Network Operators and Delegators within the Covalent Network for correctly and honestly performing their roles.
- There is currently no fee for the Covalent Network.

Use of Distributed Ledger Technology

False. Tokens are issued, transferred, and stored on Ethereum, a decentralized blockchain not operated by the issuer or a third party acting on their behalf. Similarly, smart contracts used in the Covalent Network operate on Ethereum and Moonbeam (also a decentralized blockchain not operated by the issuer or a third party acting on their behalf).

DLT Functionality Description

Not applicable, as the DLT is not operated by the issuer or a third party on the issuer's behalf.

Audit

True

Audit Outcome

Audit reports are publicly accessible here.

Part J - Information On The Sustainability Indicators In Relation To Adverse Impact On The Climate And Other Environment-Related Adverse Impacts

Mandatory Information On Principal Adverse Impacts On The Climate And Other Environment-Related Adverse Impacts Of The Consensus Mechanism

Since CXT utilizes the Ethereum blockchain, which operates on a Proof of Stake (PoS) consensus and sybil protection mechanism, and Moonbeam blockchain, which operates on a Delegated Proof of Stake (DPoS) consensus and sybil protection mechanism, its direct environmental footprint is significantly lower than Proof of Work (PoW) alternatives. By relying on node operators who stake tokens rather than using energy-intensive mining, the system reduces electricity consumption and carbon emissions. Overall, this approach aligns with a more sustainable, resource-efficient model, mitigating adverse climate and environmental impacts.

General

information

S.1 Name Of The Crypto-Asset

CXT

S.2 Consensus Mechanism

Ethereum and Moonbeam use PoS and DPoS, respectively.

S.3 Incentive Mechanisms And Applicable Fees

- Ethereum gas fees are paid to validators for transactions.
- Moonbeam gas fees are paid to validators for transactions.
- CXT is paid to Network Operators and Delegators within the Covalent Network for correctly and honestly performing their roles.
- There is currently no fee for the Covalent Network.

S.4 Beginning Of The Period To Which The Disclosure Relates

2021-06-01

S.5 End Of The Period To Which

Not Applicable

Mandatory Key Indicator On Energy Consumption

S.6 Energy Consumption

- Ethereum's energy consumption is approximately ~0.0026 TWh/yr across the entire global network, of which the Covalent Network smart contract interactions are an insignificant part of. No additional energy consumption.
- Moonbeam's energy consumption is not publicly available, though it is likely to be substantially less than Ethereum's since it runs on DPoS consensus with fewer nodes operating.
- Network Operators require hardware or cloud resources to perform their roles on the Covalent Network. It is estimated that ~306MWh/yr are required to perform these roles.

Sources And Methodologies

S.7 Energy Consumption Sources And Methodologies

- Ethereum Foundation (<https://ethereum.org/en/energy-consumption/>)
- <https://docs.moonbeam.network/learn/core-concepts/consensus-finality/>
- Energy used by Network Operators = 35 Network Operators * 1000W/hr to run hardware * 8,760 hrs/yr

Join the verifiable data mission today.

Stake your CXT ■

Read Docs ■



Get Started

[Agent SDK Docs](#)

[Network Docs](#)

[GitHub](#)

[Stake Now](#)

[EWM Light Client](#)

[Governance](#)

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