

Final Development Contract Notice

1 Background

The **tables below** are based on the preliminary draft Development Contract that was released on May 25, 2014 which is now **outdated** and is finalized herein.

The distribution of NEM stakes in the original, outdated draft is as follows:

Category	NEM Stake Quantity	Percentage
Stakeholder community distribution ¹	2,845	71.125%
Pre-launch public auction ²	155	3.875%
Development distribution to V1 completion	600	15%
Development reserve post V1 completion	400	10%
Total = 4 billion NEM Coins	4,000	100%

Table 1

Development distribution to V1 completion Breakdown	NEM Stake Quantity	Percentage of Total
Core development	400	10%
Promotion/Marketing/Ecosystem	200	5%

Table 2

In the preliminary draft Development Contract, the development fund was stated as:

- Development fund = initial fund raising + auction (i.e., stakes from sock puppets)
- Initial fund raising = 66.2 BTC + 419,697 NXT (minus some refund)
- External expenses = Independent code audit, bug tracker bounties, contractor salaries, etc.
- Development fund - External expenses = Development bonus
- Development bonus is allocated proportionally to Development shares up to V1 blockchain completion

The NEM Summary of the Draft Development Contract categorically states that:

Development fund, development reserve, and development shares do not belong to the community. They are under the control of the development team to best advance the NEM blockchain, NEM functionality, NEM widespread usage, and community, and they shall be allocated under the above guidelines.

¹ This is the estimated final figure. The final figure can only be ascertained after late May 2015.

² There was an exercise carried out earlier before the conclusion of the Draft Development Contract to weed out sock puppets. This resulted in 155 NEM stakes being recovered and was meant to be auctioned off later before the launch.

2 Moving Forward - The Final Development Contract

An affirmative Final Development Contract shall now be put in place to reflect the changes and ever evolving nature of this project.

The number of coins in the NEM project has been increased from 4,000,000,000 coins to 8,999,999,999 coins. Each coin is now denoted as 1 XEM. XEM shall be the name for the coin. Consequently, each stake (or NEM stake as it is synonymously called) is now worth 2,249,999.999750 XEM. For the purpose of rounding up, **each NEM stakeholder shall be given 2,250,000 XEM instead.** The extra 1 XEM shall be taken from the Community Fund.

For sake of simplicity, **Promotion/Marketing/Ecosystem** shall be named *Marketing Fund (Launch/V1 Reward)*. In this Final Development Contract, the development team has now decided that there shall be no development bonus set aside as a reward for developers. Instead, the development bonus (which includes the 155 stakes to be auctioned off) shall be reallocated and split into *Marketing Fund (Launch/V1 Reward)* (25 stakes), *Pre-V1 Fund* (50 stakes) and *Operational Costs Fund I* (80 stakes).

Subsequent to the Draft Development Contract, two events have come to pass. One is the ongoing exercise to weed out more sock puppets and the other, a number of stakes that will be left unclaimed. Based on the original Draft Development Contract sock stakes technically should have gone into the development bonus whereas unclaimed stakes were silent. In order to reassure the community that the development team does not have unbound control over the direction and use of these funds, it is hereby declared that these funds shall be reclassified and shall be lumped into a fund defined as the *Sustainability Fund*. **This fund will not be operational, until late redeem/reclaim procedure is finished.**

The *Sustainability Fund* will be divided into sub funds with cosignatories being members of the development team and/or its trustees and/or selected community members.

The number of sock puppets being removed has not been finalized and could change before or after the launch of NEM due to the appeal process. Furthermore, any unclaimed stakes shall be added to the Sustainability Fund at the end of the extended redemption period. Upon completion of both sock stake appeals and extended redemption deadline, this number will be finalised.

It is now hereby confirmed that the foregoing preliminary draft Development Contract is amended to reflect the latest changes, tabulated tabulated in Table 3 for the purpose of clarity.

Category	NEM Stake Quantity	Percentage
Stakeholder Community Distribution	2,845 - X ³	71,125% - X ³
Sustainability Fund	0 ⁴ + X ³	0% + X ³
Marketing Fund (Launch/V1 Reward)	225	5.625%
Operational Costs Fund I	80	2%
Pre-V1 Fund	450	11.25%
Post-V1 Fund	400	10%
Total NEM Stakes	4,000	100%

Table 3: The *Marketing Fund (Launch/V1 Reward)*, *Operational Costs Fund I*, *Pre-V1 Fund* and *Post-V1 Fund* collectively are now categorically reclassified and shall be described further herein. These funds shall continue to be under the purview of the development team. Further, these funds shall be managed by designated trustees as determined by the development team from time to time in a multi-signature mode.

2.1 Use of the Sustainability Fund

The *Sustainability Fund* was created out of the fear of having too much funding under the control of the development team. It is hereby confirmed that the *Sustainability Fund* is not being set aside to be bonuses for the NEM marketing team nor the NEM main developers, but instead is reserved for development of the NEM platform and community only and therefore shall not directly benefit anyone on the core team personally.

Sustainability Fund		Percentage
Community related:		31%
	NIS Node Rewards	9%
	Silver Coins for Distribution to Stakeholders	9%
	Community Fund	13%
Ecosystem related:		51%
	Mobile Application and NCC Development	14%
	NEM Sustainable Ecosystem Loop Fund (NEMSELF)	37%
Team related:		18%
	Unconventional Marketing	9%
	Operational Costs Fund II	9%
		100%

Table 4

³ Final distribution is subject to change based on the final number of socks and unclaimed stakes.

⁴ After the late redemption deadline, all non redeemed stakes are transferred to *Sustainability Fund*.

In view of the inability to determine the exact quantum of the *Sustainability Fund*, it is hereby noted that they shall be utilised based on percentage of the actual and final total in accordance with the breakdown as shown in Table 4.

2.1.1 NIS Node Rewards

To incentivise and to accelerate the setup of NIS nodes, a reward program shall be established. This incentive ensures that there are sufficient NIS nodes⁵ in the network to keep check of the integrity of the NEM ecosystem. It is estimated⁵ that the above reward percentage will keep the NIS network incentivised for the next 6 years.

2.1.2 Silver Coins for Distribution to Initial Stakeholders

Based on community consensus, physical silver coins will be minted and distributed to initial NEM stakeholders⁶.

The silver coins shall be distributed as an asset (colored coin), effectively giving all initial stakeholders a parallel, silver-backed digital currency that shall reside on the NEM blockchain. To claim one physical silver coin, one whole silver coin asset is needed.

Note: The execution of the silver coin project is not guaranteed and will only proceed providing that XEM market cap and liquidity are sufficient to cover the expenses with the allocated stakes. If this condition is met, all initial stakeholders will be issued their silver coin asset. If the allocated stakes do not reach a high enough value to fund the project (to pay the mint and cover all costs [shipping costs etc.]) until V1 is released, the complete fund will be transferred to the community fund. "A high enough value" can not be exactly fixed at this time, but to get a feeling: it is estimated that the fund should reach at least USD 260,000 to be successful.

2.1.3 Community Fund

The *Community Fund* shall be used to fund future application and solution projects for the development of NEM, including to fund the ongoing sustenance of the NEM platform and ecosystem. This fund shall be controlled by the community in accordance to strict guidelines but under the general direction of the greater NEM community. It shall be operated as a *Decentralized Autonomous Organization* (DAO) project. These funds shall be released over time based on consensus and will act functionally as a DAO using importance scores as one input into weighting votes.

2.1.4 Mobile Application and NCC Development

There is an urgent need for a mobile wallet. This is now identified as a priority project. Consequently, the *Mobile Application Fund* is now allocated to complete this

⁵ The exact number of stakes that will go to *NIS node rewards* is not fixed, because it is based on the number of socks/unclaimed stakes.

⁶ "Initial stakeholders" are described as those who have successfully redeemed a stake/stakes prior to launch or during the extended redemption period.

project. The mobile app shall initially be done for both the iOS and Android systems. Depending on the demand, the Window Phone OS may be also considered. The NCC GUI is not of optimal standard and there is much room for improvement, however without a dedicated NCC developer, it is important to set aside some funds for development of the NCC to bring it up to standard. For this reason, the *Mobile Application Fund* can also be used to support NCC development, if necessary.

2.1.5 NEM Sustainable Ecosystem Loop Fund (NEMSELF)

The *NEMSELF* shall be used for the promotion and development of real life ecosystem loops. It could be an entirely closed loop or it could be a partial loop, but it must have elements of NEM being the only or one of the core drivers in the ecosystem. These shall be projects involving communities and sustainable ecosystems of NEM users.

2.1.6 Unconventional Marketing

To fund high-risk/high-reward promotional projects and ideas that are requested by the community of NEM users, the unconventional marketing fund can be used. While community members can suggest projects, funding and execution of the projects will be at the discretion of the NEM marketing team and/or development team.

2.1.7 Operational Costs Fund II

Please refer to Section under *Operational Costs Fund I* for further clarification of this fund.

2.2 Marketing Fund (Launch/V1 Reward)

The *Marketing Fund (Launch/V1 Reward)* shall be used for rewarding non-core developers, volunteers and marketers who have been contributing their time and effort to the cause of NEM. The *Marketing Fund (Launch/V1 Reward)* is made up of

- 1) 200 NEM stakes taken from the original "Development distribution to V1 completion fund" and
- 2) 25 NEM stakes passed by developers, that were to be auctioned.

The total of these two being 225 NEM stakes.

For reward and payments to volunteers and marketers an amount of 225 NEM stakes shall be set aside for these volunteers, marketers, language translators, and those who have been maintaining the websites and the NEM forum.

It is hereby confirmed that the quantum of stakes to be distributed at launch shall be 50% of that allocated for distribution, i.e., 50% of 225 NEM Stakes. This shall be 112.5 NEM stakes.

The remaining 112.5 NEM stakes shall be used as a balloon payout until V1 release for those who are still present and for new recruits who are actively involved in the NEM's development and marketing efforts.

2.3 Operational Costs Fund I

The *Operational Costs Fund I* shall be used to finance marketing and development related operational costs right up to the completion of V1. For the purpose of clarity, *Operational Costs Fund I* is a carryover from the original sum allocated and *Operational Costs Fund II* is an additional fund required to take us through to V1 and is to be taken from the Sustainability Fund.

2.4 Pre-V1 Fund

The *Pre-V1 Fund* shall be distributed to developers as reward at launch until the completion of V1. These 450 NEM stakes shall come from stakes set aside for the *Development distribution to V1 completion Fund*. These funds shall include all the core developers.

It is hereby confirmed that the quantum of stakes to be distributed at launch shall be 200 NEM stakes. The remaining 250 NEM stakes shall be used to reward development efforts, based on cyclic time-span evaluations.

2.5 Post-V1 Fund

The *Post-V1 Fund* shall be spent to further promote and maintain NEM. This fund shall be used for all efforts from marketing to development of the core solution. A more exhaustive decision shall be made by the development team on how to press forward with this fund at the completion of V1.

2.6 Multisignature Control of Funds

Every fund controlled by the NEM team will be secured via multisignature accounts with each fund having a minimum of 5 signatures. The signatories for these funds should consist of core developers, core marketing personnel and/or community trustees depending on the purpose of the individual funds.

3 V1 Goals

The completion of V1 is planned to include the following features:

- Completion of all the features in the existing wallet
- Coloured Coins (Smart Property Tiles)
- Business Rules (a.k.a., Smart Contracts)
- Decentralized Asset Exchange
- Integration of multisig into the AE and business rules
- Snapshotting for quick syncing of nodes

Whilst the above is a wish list, the development team will have to assess if it is possible at all to implement some or all of the above. The development team shall be in no way bound to this.