Newton Protocol and NEWT Transparency Report

Published by Magic Newton Foundation

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1. Overview

The Newton Protocol is a decentralized infrastructure layer for verifiable onchain automation and secure agent authorization. It enables protocols, DAOs, and users to execute complex actions through verifiable agents, without relying on centralized bots or offchain coordination. Users can securely authorize agents to act on their behalf using programmable permissions, ensuring that actions occur only under conditions they approve. By combining trusted execution environments (TEEs), zero-knowledge proofs, and a modular agent architecture, Newton Protocol brings automation fully onchain, enhancing transparency, composability, and trust.

The NEWT token is the native utility token of the Newton Protocol and serves four core functions within the ecosystem:

1. **Staking for Protocol Security**
   NEWT staking will be available to enable network participants to contribute to the security and uptime of the Newton Keystore rollup. Holders will be able to delegate their NEWT tokens via proof-of-stake (dPoS) consensus to help secure the network and earn staking rewards in exchange.

2. **Token for Gas / Fees**
   NEWT will be the native gas token of the Newton Protocol. NEWT is also required to issue, update, or revoke onchain permissions for a given account (e.g., when delegated to an autonomous agent). It is intended that the Protocol will implement a fee market similar to EIP-1559 to determine transaction ordering within each block.

3. **Token for Newton Model Registry**
   As part of the Newton Protocol, agent developers will be able to register the agent models via the Newton Model Registry. Agent operators provide NEWT tokens as collateral for their automated services utilizing the registered agent models running on the Newton Protocol. In exchange for posting this collateral, they will earn fees from the usage of their services—a portion of which is shared with the agent developers—paid in NEWT tokens. Operators' NEWT collateral may also be slashed if their agent services misbehave.

   The Newton Model Registry will power an onchain marketplace that makes it easy for anyone to publish and discover agents, enabling a broader range of automation strategies and use cases.

4. **Governance**
   The Newton Protocol and its ecosystem will decentralize over time, including establishing a DAO and enabling the community to act and decide on the deployment of ecosystem funds, fees, and project priorities. Once the Newton Protocol has sufficiently developed, users who stake their NEWT will be entitled to vote in the

governance process to help guide the growth and development of the Newton Protocol.

The token is issued by Magic Newton Foundry Ltd., a wholly owned subsidiary of the Magic Newton Foundation. Token distribution is designed to support long-term ecosystem growth and includes allocations for community incentives, validator rewards, protocol development, and operational needs. A fixed total supply of one billion NEWT has been established, with 21.5% of the token supply designated for Circulating Supply, with such amount gradually increasing following linear unlock schedules.

The Newton Protocol is governed by a phased decentralization roadmap, with responsibility transitioning from the Foundation to a broader community of contributors and stakeholders over time as envisioned and described in this report.

2. Project and Protocol

Newton Protocol is an open and verifiable infrastructure layer designed to bring secure, programmable automation to onchain finance. In today's decentralized ecosystem, users and protocols still rely heavily on offchain services and manual actions to execute key financial tasks—from recurring investments to token distribution and treasury operations. These dependencies introduce unnecessary risk, friction, and centralization.

Newton Protocol will address this gap by enabling developers and protocols to create autonomous onchain agents that monitor conditions, execute predefined actions, and coordinate complex financial behavior—without relying on offchain bots or intermediaries. It offers a standardized way to encode "if-this-then-that" logic directly into the blockchain ecosystem, allowing finance to become not just decentralized, but self-operating.

Mission and Vision

The mission of the Magic Newton Foundation is to steward the development of the Newton Protocol as a trustless automation layer for crypto-native finance—enhancing security, scalability, and user experience across the ecosystem. The Foundation seeks to empower protocols and DAOs to operate more efficiently, while enabling users to participate more confidently in onchain markets.

Ecosystem and Use Cases

Newton Protocol is designed to be broadly composable, with use cases spanning DeFi, DAOs, and onchain treasuries. The initial agent built on the Protocol is a Recurring Buy Agent—enabling users to automate recurring crypto purchases directly onchain in a verifiable manner.

Future ecosystem applications may include:

- Staking agents that allow automatic claiming and staking of rewards
- DeFi asset optimization for efficient allocation of users' crypto assets

- DAO governance automation (e.g., automated governance proposals based on different on-chain & off-chain conditions)
- Verifiable machine-learning for pricing heuristics, funding rates, etc. for high frequency onchain perpetual protocols
- Treasury automation (e.g., asset rebalancing, liquidity mining)
- Secure strategy bots for lending, staking, or cross-chain transactions
- Advanced coordination agents for structured financial products

The Protocol is designed to allow any developer or DAO to publish and register new automation agents through an open framework, expanding the network's functionality over time.

3. Roadmap

The Newton Protocol is being developed as a foundational infrastructure layer for verifiable onchain automation. It is designed to support a wide range of decentralized financial use cases while upholding the core principles of composability, transparency, and neutrality.

Historical Milestones

The Protocol has achieved several critical milestones since inception, including:

- Publication of a technical litepaper (see, https://blog.newt.foundation/the-litepaper/)
- Development of the v1 verifiable automation protocol
- End-to-end integration of the first live agent onto the Protocol with verification automation
    - Verification of TEE- (Trusted Execution Environments) based agent compute—zero-knowledge proofs (ZKP) of TEE attestations are generated, and their integrity verified through protocol contracts
    - A Recurring Buy agent—developed by Magic Labs—allowing users to schedule recurring asset purchases through verifiable automation
- Staking of NEWT tokens on the Protocol
- Multiple community rewards initiatives
- Launch of the Foundation and governance roadmap to support neutral stewardship of Protocol development and ecosystem growth

Upcoming Milestones

Looking ahead, Newton Protocol will continue to evolve along several major fronts:

- **Verifiable Automation Marketplace**
  Launching an onchain marketplace powered by the Newton Model Registry, making it simple for anyone to publish, discover, and compose agents or agent swarms (i.e., sophisticated orchestration of multiple agents). This unlocks a broad range of automation strategies and use cases, while fostering a vibrant, composable ecosystem of agents that end users can interact with directly.

- **Multichain Newton Keystore Rollup**
  Launching a zkPermissions rollup that enables cost-efficient, multichain-compatible zero-knowledge permissions. Developers can define programmable guardrails like "only trade if volatility exceeds X" or "act only when RSI falls below Y," with an SDK to simplify zkPermission integration into any agent.

- **Scalability**
  Improving scalability through techniques like aggregated proof verification. These upgrades reduce costs and increase throughput, making high-frequency, verifiable automation economically viable at scale.

- **Decentralization**
  Progressively decentralizing the Protocol by onboarding third-party validators to secure the Newton Keystore rollup. This enhances censorship resistance and ensures that verification remains credibly neutral and trustless over time.

Dependencies and Conditions

Some roadmap milestones are contingent on factors external to the Foundation's direction, including:

- Maturation of TEE-based attestation as well as zk-based technologies (i.e., zkML, zkVM performance and cost optimizations), and hardware provider support for decentralization. These improvements will enable the verifiable automation protocol to verify more types of workloads while making the verifications more performant and cheaper.
- Regulatory clarity around permissionless automation agents that interact with protocol funds or governance systems.
- Security reviews and formal audits as a prerequisite for permissionless validator and agent onboarding.

The Foundation will continue to assess these dependencies as part of its ongoing support prioritization and risk management process.

Long-Term Vision

The Foundation's long-term vision is for the Newton Protocol to serve as the default coordination layer for onchain automation. Over the next five years, the Protocol is expected to power a growing ecosystem of verifiable agents that automate and secure a wide range of use cases—from structured DeFi strategies to DAO governance, treasury management, and other programmable onchain systems.

By embedding trustless automation directly into the base infrastructure of Web3, Newton Protocol aims to eliminate the operational fragility, liquidity fragmentation and offchain dependencies that currently limit DeFi's growth. The ultimate goal is to enable a more secure, programmable, and autonomous financial system—one where verifiability and programmable permissions enables users to trust intelligent agents that can safely manage

capital, optimize rewards, and execute complex strategies, all without requiring human intervention.

4. Technology and Infrastructure

Network Overview

The Newton Protocol is designed to serve as a verifiable automation layer for onchain finance. It provides a mechanism for publishing, verifying, and executing automation intents—trigger-action programs—through a modular architecture that separates intent definition, execution, and validation.

The Protocol is designed around three core components:

- Newton Model Registry: a canonical onchain registry where agent models (trigger-action contracts) are published and referenced.
- Newton Keystore: a specialized rollup responsible for storing and updating user permissions (e.g., session keys, zkPermissions) that define which agents can act on a user's behalf.
- Automation Intents: user-defined instructions submitted to the network that execute actions when specific onchain or offchain conditions are met.

The Newton Protocol will use a delegated proof-of-stake (dPoS) consensus mechanism to support its rollup, with validators participating in block production and state finalization. Validators contribute to automation integrity by verifying that actions are executed only by permissioned agents and under valid conditions.

To improve transparency and accessibility, a public network dashboard is under development and will provide real-time visibility into validator performance, automation volume, key network metrics, and tokenomics.

Smart Contracts and Codebase

The Newton Protocol is governed and operated via smart contracts that manage staking, permission control, agent registration, and governance voting. The NEWT token itself is deployed as an ERC-20 token and will migrate to a rollup-native token standard once mainnet infrastructure is fully deployed.

Code related to the Newton Protocol—including the Newton Model Registry, the Keystore rollup components, and staking and governance modules—will be published and maintained in public repositories. Once development is complete and published, the codebase will be available at: https://github.com/newt-foundation

The Newton Protocol's token, staking, and airdrop smart contracts have undergone third-party security audits by independent firms. Additional audits—such as for verifiable agent execution and core chain infrastructure—are anticipated as those components progress toward production readiness. Full audit reports are provided in Exhibit B: Audit

Reports and Code Repositories. The Foundation will publish future audit reports in its quarterly transparency reports.

Protocol Upgradeability

The Newton Protocol follows a dual-layered upgrade model that distinguishes between governance-controlled parameters and core protocol infrastructure.

Governance-related changes—which may include staking reward rates, validator incentives, fee distribution percentages, and other configurable protocol parameters—can be modified only through proposals and voting by holders that have staked their NEWT tokens. See Section 11: Protocol Governance for more details on governance.

However, core protocol upgrades, which may include changes to the rollup logic, Keystore architecture, consensus implementation, or validator coordination mechanisms, are not upgradeable via governance vote alone. These changes will require explicit coordination and adoption by validators and must be implemented through protocol-level hard forks, similar to upgrade processes in networks like Ethereum. This ensures that critical infrastructure updates are subject to decentralized consensus among the network's validator operators.

This separation between configurable parameters and core protocol logic is designed to maintain system integrity and prevent governance overreach into low-level infrastructure, while still allowing the community to shape the evolution of the Protocol at the economic and coordination layers.

Third-Party Dependencies

The Newton Protocol incorporates several open-source and third-party components critical to its function. These include:

- Trusted Execution Environments (TEEs): Used for attestation of agent execution integrity. The protocol currently leverages Phala's cloud environments to run confidential compute tasks in a decentralized and verifiable manner. Additional cloud environments and redundancy may be added when available and suitable for use.
- Zero-Knowledge Proof Systems: Newton supports zk-based permissioning and proof generation as part of its permission model and agent validation. The Protocol integrates with emerging zk-VM frameworks such as Succinct and Risc Zero to enable verifiable offchain computation and scalable cryptographic proofs.
- zk-SNARKs and Permission Libraries: Used for constructing and validating granular access controls (e.g., zkPermissions and session keys), ensuring that only authorized agents can take automated actions on behalf of users.
- Ethereum Layer 1 and Layer 2 Ecosystems: The Newton Protocol posts finality proofs and permission state roots to Ethereum and is designed for cross-chain interoperability with additional chains.

The Protocol builds on battle-tested open-source libraries where applicable and contributes improvements upstream where possible.

Security Measures

The Protocol's design prioritizes cryptographic accountability and resistance to common attack vectors. Security measures currently include or are on the development roadmap:

- TEE attestation validation to ensure verifiable agent execution
- Decentralized validator participation, reducing the risk of collusion or 51% control
- Permission scoping via the Newton Keystore, preventing unauthorized agent activity
- Rate-limiting and batching of permission updates and intent executions to prevent overload or manipulation

The Magic Newton Foundation will establish a bug bounty program to incentivize responsible vulnerability disclosure and will conduct regular reviews of validator behavior and agent activity to identify anomalies.

Staking and Network Security

NEWT staking will be available to enable network participants to participate in the security and uptime of the Newton Protocol. NEWT will be used for two forms of staking within the Protocol: (1) Validators staking NEWT to secure the Newton Keystore rollup, verify agent execution, and finalize cross-chain state changes, earning protocol rewards in return; and (2) Once third-party registration of agent models is available on the Protocol as part of the Newton Model Registry, agent operators will run nodes that execute the agent models and stake NEWT as collateral to earn fees or be slashed for misbehavior or failed validation of their agents.

Staking rewards will be determined by the Newton Protocol and distributed programmatically by the Protocol in NEWT based on validator performance and participation. Initially, stakers will be able to claim their staking rewards every week, subject to change as the Protocol continues to develop. Partial withdrawal of staked NEWT is not available. Staked NEWT (but not accrued NEWT validator rewards) will be subject to a 14-day unstaking (cool-down) period, during which the tokens remain locked and non-transferable. This mechanism is designed to support Protocol stability and prevent rapid stake withdrawals that could undermine network security.

At a Protocol level, until validator(s) are operational on the Protocol, NEWT tokens will not be required to pay for Protocol gas fees. To bootstrap and secure the Newton Protocol and incentivize early staking participation, the Foundation is allocating 8.5% of the NEWT token supply as Network Rewards (See Section 6: Token Characteristics and Utility for more details). These rewards will be programmatically set by the Protocol and are designed to gradually decrease over time as onchain activity and fee-based compensation grow. As the Newton Protocol ecosystem matures, Protocol activity will generate transaction fees paid in NEWT. A portion of these fee revenues will be distributed to validators and stakers, subject to governance. This dual rewards model (foundation-funded + fee-based) is designed to transition validator compensation from Foundation-subsidized to self-sustainable mechanisms.

To further support network integrity, the Protocol will include slashing mechanisms. Validators found to act maliciously or negligently may have a portion of their staked NEWT slashed. The slashing mechanism is a critical safeguard to uphold trust in the system. By penalizing bad actors, the Protocol will reinforce responsible validator behaviour, thereby protecting good actors and maintaining the overall security, reliability, and fairness of the network. Slashed tokens from Protocol validators will be redistributed programatically included as part of the rewards pool smart contracts, available to claim by stakers and validators. For agent operators running validators for their agent models, slashed tokens will be redistributed programatically to end users impacted by the faulty or misbehaving agent model.

To ensure the smooth rollout and security of the Newton Protocol, the network will initially operate under a Foundation-controlled validator(s). Once onchain verification capabilities of the Newton Keystore rollup are enabled, NEWT holders will be able to delegate tokens via delegated proof-of-stake (dPoS) to the Foundation's validator(s). The validator set will expand gradually: starting with Foundation validator(s), followed by a permissioned group of third-party validators, and ultimately a fully permissionless validator set.

Note that tokens held within Internal Allocations (defined in Section 7: Token Distribution and Vesting) are not eligible for staking until the tokens are vested and unlocked.

5. Foundation Structure and Key Contributors

Foundation Legal Structure

The Magic Newton Foundation, a Cayman Islands foundation company, was formed in October 2024 to drive adoption, enable open development, and support decentralization of the Newton Protocol. It wholly owns two key operating subsidiaries: Magic Newton Foundry Ltd., responsible for token issuance, and Magic Newton Operations Ltd., which manages developmental and operational needs for the Protocol. Both subsidiaries are incorporated in the British Virgin Islands.

The NEWT multifunctional utility token is issued by Magic Newton Foundry Ltd. The Newton Protocol (including use of NEWT) is made available globally, excluding jurisdictions that are subject to international sanctions or other applicable legal restrictions as stated in the Magic Newton Operations Ltd.'s Terms of Use, accessible at newt.foundation.

Foundation Management

Governance of the Magic Newton Foundation is overseen by a Board of Directors.

Mohammad Akhavannik serves as the Foundation's Managing Director. He brings over a decade of experience across law, technology, and policy, with prior roles at Magic Labs, Meta, and top law firms including Latham & Watkins and Kirkland & Ellis.

Jacobus Pietersen serves as Director of the Magic Newton Foundation and is a highly experienced independent director with over 14 years in the offshore financial services industry. He specializes in DAOs and foundation companies, and has served on the boards

of several major Web3 organisations including Arbitrum Gaming, Kava, and Lido. Recognised as an early mover in the digital assets space, he has been instrumental in the development and governance of Cayman Islands structures for blockchain-based ventures. His prior experience includes launching and heading up the corporate Web3 practice at global offshore law firm Walkers, and senior roles at leading global firms such as KPMG, UBS, and MUFG where he developed deep expertise across traditional finance and digital assets.

David Jeong serves as Director of the Magic Newton Foundation. He is the CEO of Tread.fi, a company building distributed trading and lending infrastructure for digital assets. Prior to founding Tread.fi, David spent more than seven years at Morgan Stanley as a Vice President in Quantitative Research within the Institutional Equity Division. There, he specialized in algorithmic execution, transaction cost analysis, and execution consulting. David brings deep technical and ecosystem expertise at the intersection of traditional finance and decentralized trading systems.

Role of Key Participants and Third Parties

Magic Labs is a key contributor to the development of the Newton Protocol. As an independent company contracted by the Magic Newton Foundation, Magic Labs assists with building and maintaining core protocol infrastructure and tooling, supporting the technical evolution of the ecosystem. The engagement between the Foundation and Magic Labs is structured as an arm's-length agreement at market rates, designed to ensure alignment with the Protocol's long-term development goals. All payments made to Magic Labs under this agreement will be disclosed as part of the Foundation's aggregate reporting on third-party service provider expenditures in its quarterly transparency reports, consistent with its broader commitment to accountability and openness.

Founded in 2018, Magic Labs is a leading infrastructure company that invented embedded wallet technology and defined the modern Web3 onboarding experiences. The company has created over 50 million non-custodial wallets for a variety of clients and supports a global community of more than 200,000 developers, with 2M+ average monthly active wallets. Its tools are widely used to enable seamless and secure wallet integration across widely recognizable consumer-facing applications today. As a contributor to the Newton Protocol, Magic Labs brings deep technical expertise and a proven track record in blockchain infrastructure at scale.

The Foundation also receives strategic and operational support from Cayman based advisory firms and vendors that support crypto foundations on governance, operations, and ecosystem development in order to help design scalable structures and implement best practices. Their support helps the Foundation navigate key areas such as governance implementation, budgeting, and contributor coordination.

In addition, the Magic Newton Foundation works with a number of leading third-party service providers for institutional-grade custody for granted tokens and enforcement of contractual lockup schedules, ensuring the safekeeping and integrity of token allocations.

6. Token Characteristics and Utility

Token Summary

- Token Name / Ticker: NEWT
- Contract Address: 0xd0ec028a3d21533fdd200838f39c85b03679285d
- Blockchain: Ethereum
- Token Standard: ERC-20
- Total Supply: 1,000,000,000 NEWT

Supply and Economic Model

NEWT has a fixed total supply of 1,000,000,000 tokens. No inflationary minting or deflationary mechanics are intended post-launch.

Token Type and Technology

NEWT is the native network token of the Newton Protocol and is currently deployed as an ERC-20 token on Ethereum. The Newton Protocol will utilize a delegated proof-of-stake (dPoS) consensus mechanism, where validators are responsible for securing the network and verifying key protocol operations. The token is expected to migrate to the Protocol's own Keystore rollup architecture once the Protocol is sufficiently developed. Although the token contract may be upgraded in the future to support rollup-native functionality, such changes would be subject to governance processes overseen by the Newton Protocol community. In no way will NEWT tokens be marketed as an investment or income-producing asset, either in the United States or elsewhere.

Core Functions

NEWT is a multifunctional utility token used throughout the Newton Protocol for the following purposes:

1. Staking for Protocol Security

NEWT staking enables participants to help secure the Newton Keystore rollup via delegated proof-of-stake (dPoS). Token holders can delegate their NEWT to validators and earn staking rewards in return.

2. Transaction Fees and Permission Management

NEWT is the native gas token of the Newton Protocol. It will be required to pay for transaction execution—including agent-triggered automation—and to issue, update, or revoke onchain permissions, such as zkPermissions and session keys. Initially, transaction fees may be subsidized by the Foundation while validator infrastructure comes online. Over time, the Protocol intends to adopt a fee market mechanism similar to Ethereum's EIP-1559 to support scalable, fair transaction ordering.

3. Agent Model Registry and Service Collateral

Agent developers can register agent models via the Newton Model Registry. Agent operators must provide NEWT as collateral to offer services using these models. In

return, they earn NEWT-denominated fees from users, and a portion of those fees is distributed to the agent developers. Slashing conditions apply if the agents behave incorrectly, helping enforce safety and service guarantees. The Model Registry also supports an onchain marketplace, making it easy to discover and deploy autonomous agents.

4. Governance

Once the Protocol achieves sufficient decentralization, NEWT holders who stake their tokens will be able to participate in governance. This includes voting on matters such as treasury disbursements, protocol parameter changes, and ecosystem priorities. Governance will evolve to include DAO-based decision-making, with a linear, stake-weighted voting model.

Network Fees and Validator Rewards

NEWT is earned and distributed through Protocol-level fees. Users pay gas fees in NEWT for executing transactions and managing onchain permissions. Validators receive rewards in NEWT for securing the network and processing automation-related operations. The validator rewards are sourced from the NEWT tokens paid as gas fees for use of the Protocol and are determined programmatically at the Protocol level. Rewards, neither in form nor in function, serve as any kind of “interest,” “dividend,” or return on any “investment.” It is intended that the network will feature a fee market similar to Ethereum’s EIP-1559, balancing usability and scalability while helping prevent congestion. At a Protocol level, until validator(s) are operational on the Protocol, NEWT tokens will not be required to pay for Protocol gas fees. To increase the security of the Protocol, the Foundation may offer additional validator reward incentives in order to encourage staking.

7. Token Distribution and Vesting

The initial allocation and vesting schedule of NEWT tokens is designed to align incentives across contributors, early backers, and the broader Newton Protocol community, while ensuring long-term sustainability of the ecosystem. A full breakdown of the token distribution is provided in the table below.

As of the date of publication, the Magic Newton Foundation has not sold any NEWT tokens. The Foundation will provide quarterly transparency reports detailing any NEWT sales or treasury activity, including how funds are used across distinct treasury categories such as operations, development, and community initiatives.

Genesis Allocation

At the time of network launch, the total supply of 1,000,000,000 NEWT tokens will be allocated across multiple intended use cases and stakeholder groups, as outlined in the distribution table below. The Circulating Supply as of the date of the NEWT token launch will be 21.5%, including allocations for community rewards, validator rewards, and liquidity support. See below for an explanation on Circulating Supply and how it differs from Distributed Supply.

Of the total genesis allocation, 60% has been designated for Community categories, while 40% has been allocated to Internal categories.

- **"**Community**"** allocations refer to tokens set aside to directly support the growth, technical development, and decentralization of the Newton Protocol through initiatives such as ecosystem grants, network rewards, community rewards, and operational support via the Onchain Foundation Treasury. The Treasury supports the operational capacity of the Foundation to serve the Protocol and its community—covering essential functions like contributor coordination, governance support, and public infrastructure that enable the ecosystem to grow.

- "Internal" allocations refer to tokens allocated to Core Contributors, Early Backers, and Magic Labs in recognition of their foundational work in building and supporting the launch of the Protocol. These allocations represent essential resources dedicated to the continued development of the ecosystem.

Token allocations to the Onchain Ecosystem Development Fund, Onchain Ecosystem Growth Fund, and Onchain Foundation Treasury are subject to a 48-month linear unlocking schedule, with 20% of the respective allocations unlocking at launch allowing immediate support of critical early developmental, growth, and operational needs for the Protocol. Tokens allocated to Core Contributors, Early Backers, and Magic Labs are subject to a 36-month vesting schedule, including a 12-month initial lock-up period. All allocations of locked or unvested tokens—whether from Internal or Community allocations—are prohibited from selling or transferring those tokens through secondary OTC transactions until they are fully vested and unlocked.

Community Rewards (Community Allocation)

10% of NEWT token supply has been allocated to early Protocol adopters and participants in Newton Protocol ecosystem growth programs, including Portal, agent usage on newton.xyz, and ecosystem initiatives. A portion of this allocation—0.90% of the total NEWT token supply—has been designated for Kaito to support a Newton Protocol rewards campaign. These tokens are fully unlocked at launch. Any unclaimed or unused NEWT from this allocation will remain unlocked and be transferred to the Onchain Ecosystem Growth Fund.

Network Rewards (Community Allocation)

8.5% of NEWT token supply has been reserved for validator incentives. The rewards will be deposited into the Newton Protocol staking contract and the Newton Protocol will distribute these rewards programatically to encourage network security and broader participation in staking. The final size and timing of distributions will depend in part on ongoing staking engagement.

Liquidity Support (Community Allocation)

4% of NEWT supply has been allocated to support liquidity on centralized exchanges and/or decentralized onchain liquidity pools, available concurrently with or after launch. These tokens are fully unlocked and held in a Foundation-controlled multisig. This allocation is

intended to improve early access to the community across supported centralized and/or decentralized exchanges.

A portion of this allocation will be used with providers via structured call-option loan agreements. These arrangements are designed to support community token access. Tokens remain subject to contractual restrictions until options are exercised. See Section 10: Financial Overview and Transparency for more information on token loan arrangements.

Onchain Ecosystem Growth Fund (Community Allocation)

15.5% of NEWT token supply has been allocated for any campaigns, partners, or programs that support the growth of the Newton Protocol ecosystem. 20% of this allocation is unlocked upfront (3.1% of the total NEWT supply), with the remainder unlocking over 48 months. Tokens are held in a multisig wallet controlled by the Foundation subject to Newton Protocol governance, and disbursements will be disclosed through quarterly transparency reports.

Onchain Ecosystem Development Fund (Community Allocation)

12.5% of NEWT token supply has been allocated to support technical and infrastructure development of the Newton Protocol, including developer rewards, hackathons, and core protocol enhancements. Like the growth fund, 20% is unlocked upfront (2.5% of the total NEWT supply), with the remaining tokens unlocking over 48 months and held in a multisig wallet controlled by the Foundation subject to Newton Protocol governance.

Onchain Foundation Treasury (Community Allocation)

9.5% of NEWT token supply has been allocated to the Foundation's onchain treasury for its operational purposes and initiatives in support of the Newton Protocol, including hiring employees, unaffiliated vendors, or paying for services. Like the development and growth funds, 20% is unlocked upfront (1.9% of the total NEWT supply), with the remaining tokens unlocking over 48 months. These tokens are held in a Foundation-controlled multisig wallet.

Core Contributors (Internal Allocation)

18.5% of NEWT token supply has been allocated to core contributors at Magic Labs who have played a foundational role in contributing to the development of the Newton Protocol. These tokens are subject to a 12-month cliff, with 33.3% unlocked at the cliff, and a 36-month linear vesting schedule.

Early Backers (Internal Allocation)

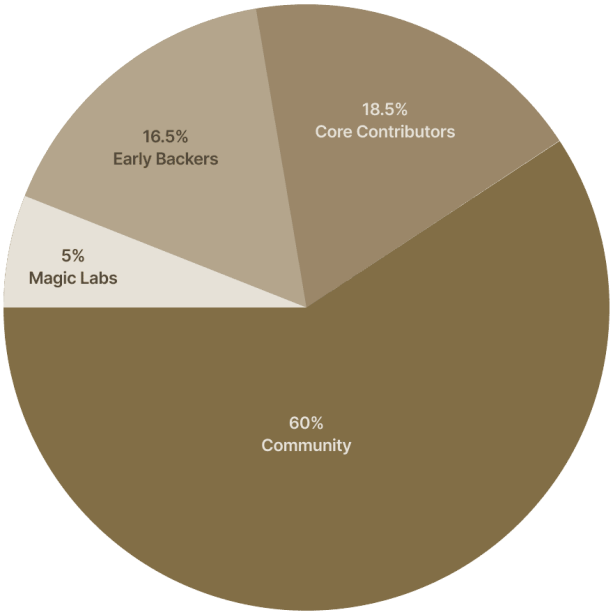
16.5% of NEWT token supply has been allocated to early backers of Magic Labs. These tokens follow the same 12-month cliff and 36-month vesting schedule as Core Contributors.

Magic Labs (Internal Allocation)

5% of the NEWT token supply has been allocated to support Magic Labs' ongoing operational needs. This includes funding for the continued development, maintenance, and

expansion of products within the Newton Protocol ecosystem. These tokens follow the same 12-month cliff and 36-month vesting schedule as Core Contributors and Early Backers.

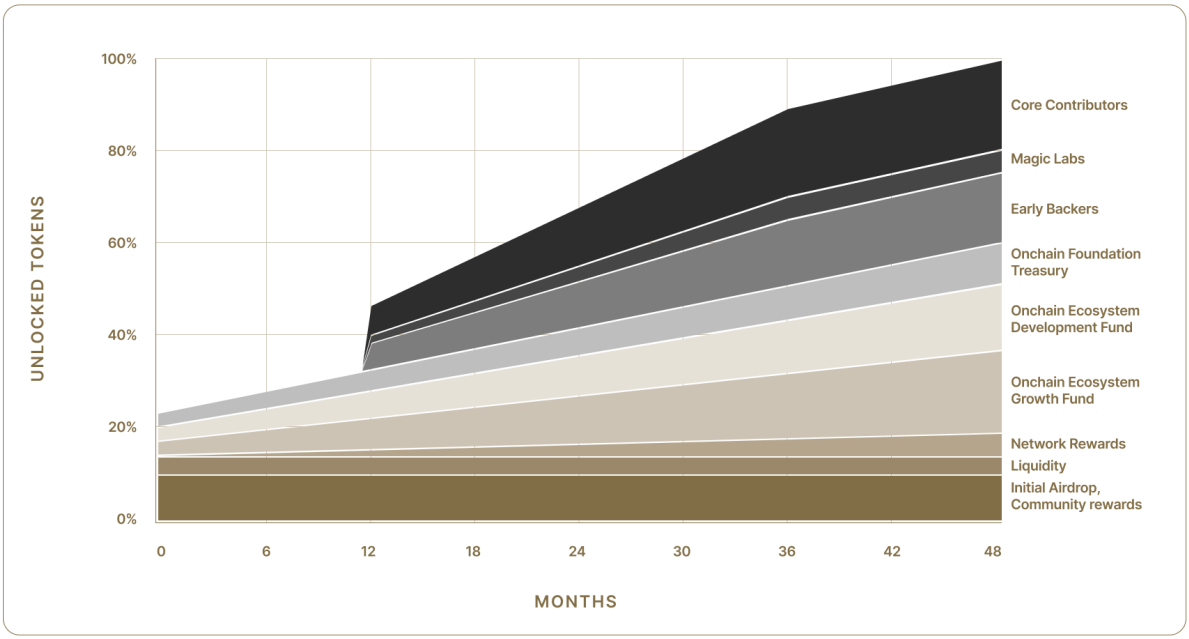
Allocation Chart



Allocation Table

Category	Size	Type	Upfront Unlock	Lockup Cliff	Cliff Unlock	Total Vesting / Unlock Period
Initial Airdrop, Community Rewards	10%	Community	100%	-	-	-
Network Rewards	8.5%	Community	100%	-	-	-
Liquidity	4%	Community	100%	-	-	-
Onchain Ecosystem Growth Fund	15.5%	Community	20%	-	-	48 mo. Unlock
Onchain Ecosystem Development Fund	12.5%	Community	20%	-	-	48 mo. Unlock
Onchain Foundation Treasury	9.5%	Community	20%	-	-	48 mo. Unlock
Core Contributors	18.5%	Internal	0%	12 mo.	33.3%	36 mo. Vesting
Early Backers	16.5%	Internal	0%	12 mo.	33.3%	36 mo. Vesting
Magic Labs	5%	Internal	0%	12 mo.	33.3%	36 mo. Vesting

Emissions Schedule



Token Circulation

To provide greater clarity around token availability at launch and over time, the Foundation distinguishes between: (i) Circulating Supply and (ii) Distributed Supply.

Circulating Supply refers to the total amount of NEWT that is unlocked (i.e., tradeable, not subject to transfer restrictions) and designated for release into the market at or following launch. This includes allocations for community rewards (e.g., airdrops, Kaito), liquidity support, and the unlocked portions of the Onchain Ecosystem Development and Growth Funds and the Onchain Foundation Treasury. However, not all tokens within the Circulating Supply will be in active use by the community immediately following launch. Some NEWT tokens may remain inactive for various reasons—for example, tokens available for airdrop may go unclaimed or ecosystem token grants may not be issued.

To distinguish between tokens that are unlocked for circulation and those that are actively accessible and transferable, the Foundation also reports a second metric: Distributed Supply. This includes all NEWT tokens that have been claimed through community programs (e.g., airdrops, Kaito), distributed as staking rewards, provided for liquidity support, or deployed from Foundation-controlled wallets—and that are no longer subject to material restrictions on transfer or use.

The sections below provide a detailed breakdown of each category and the specific token allocations they include.

Circulating Supply

The Circulating Supply as of the date of the NEWT token launch is 21.5% and is allocated as follows:

- 10% - Community Rewards (e.g., airdrop)
    - This allocation of NEWT is unlocked at launch and available to be distributed to early users and campaign participants to incentivize awareness, adoption, and engagement with the Newton Protocol. Following completion of the initial NEWT token airdrop, the Foundation will publish a clear, auditable CSV list of recipients, including addresses and amount claimed.
- 4% - Liquidity Support
    - This allocation of NEWT tokens is unklocked at launch and intended to increase community access to NEWT by supporting liquidity on centralized exchanges and/or decentralized onchain liquidity pools, including the payment of related expenses. These tokens will be deployed concurrently with, or following, the NEWT token launch, depending on ecosystem development needs.
    - To promote transparency and mitigate concerns around liquidity withdrawal, the Foundation will place liquidity pool (LP) tokens it receives under time-based or governance-controlled lockup mechanisms. These safeguards are designed to prevent abrupt removal of liquidity while preserving the ability to rebalance pools if required. Details regarding liquidity deployments and LP token status will be disclosed in the Foundation's quarterly transparency reports.
    - A portion of this allocation will be used for structured loan agreements that include call options, allowing counterparties to purchase NEWT at predetermined terms. The underlying NEWT tokens remain subject to contractual restrictions until the option is exercised. See Section 10: Financial Overview and Transparency for more information about these arrangements.
- 3.1% - Onchain Ecosystem Growth Fund
    - At launch, this represents the unlocked portion of the Foundation's Onchain Ecosystem Growth Fund that is available immediately for deployment.
- 2.5% - Onchain Ecosystem Development Fund
    - At launch, this represents the unlocked portion of the Foundation's Onchain Ecosystem Development Fund that is available immediately for deployment.
- 1.9% - Onchain FoundationTreasury
    - At launch, this represents the unlocked portion of the Foundation's Onchain Treasury that is available immediately for deployment.

Distributed Supply

- The Distributed Supply refers to the portion of the Circulating Supply that has been claimed, distributed, or deployed and is no longer subject to material restrictions on transfer or use. Following token launch, the Foundation will provide regular updates on the Distributed Supply as part of its quarterly transparency reports. It is composed of the following:

- Claimed Community Rewards
    - Tokens from airdrops or campaigns that have been successfully claimed by recipients. Any unclaimed or unused NEWT from this allocation will remain

unlocked and transferred to the Onchain Ecosystem Growth Fund for future use (e.g., future rewards, growth campaigns).

- Distributed Validator Rewards
    - NEWT tokens that have been deployed into the Newton Protocol validator rewards pool smart contracts to be made programatically available by the Newton Protocol for claiming by stakers each rewards period.
    - Initially, approximately every seven days additional tokens will enter the Distributed Supply. Only NEWT tokens that have been made available for stakers to claim are included in this calculation.
    - These additional NEWT staking rewards will continue for approximately four years following launch, subject to Protocol governance.

- Liquidity Support
    - NEWT tokens that are actively deployed into centralized exchanges or decentralized liquidity pools or other DeFi protocols by the Foundation, or otherwise used to support such liquidity initiatives, including paying related expenses.
    - Any NEWT tokens that have been purchased and exercised under structured call-option agreements.

- Fund and Treasury Token Deployments
    - Any NEWT tokens deployed from the Onchain Ecosystem Development or Growth Funds or the Onchain Foundation Treasury that are no longer subject to lockups or transfer limitations.

8. Verification of Data

All allocations of NEWT tokens—whether designated for the Magic Newton Foundation, community initiatives, or Internal recipients—are traceable and independently verifiable onchain. Wallets associated with each allocation category will be clearly labeled and publicly disclosed.

In addition, wallets associated with allocations to Early Backers, Core Contributors, and Magic Labs will be appropriately tagged to reflect their respective roles. This approach is intended to facilitate transparency, promote accountability, and enable third-party verification of all token-related activity.

The Foundation is establishing three primary practices in its framework to establish verifiable trust in its operations:

1. Magic Newton Foundation's NEWT will be held in multiple publicly-tagged wallets onchain, each governed by a written, predefined policy specifying how the funds can be used. For the full list of relevant wallet addresses, see Exhibit A: On-Chain Addresses.
2. If any of the Foundation's unlocked NEWT tokens are sold, the proceeds will be held in onchain tagged wallets as stablecoins and/or other digital assets until they are deployed, at which point they may move offchain for fiat transaction rails. Note that the Foundation is strictly prohibited from selling any locked NEWT.

3. If any amount of proceeds generated from NEWT dispositions are moved away from those tagged wallets and held offchain (e.g., for treasury diversification purposes), then such amounts held offchain will be disclosed by the Foundation as part of its quarterly transparency reports. In addition, the Foundation commits to independent third-party verification of such transfers and amounts held offchain.

9. Conflict of Interest and Code of Conduct

Trading and Token Policies

Team members, advisors, and core contributors to the Magic Newton Foundation and Magic Labs are subject to an internal policy that prohibits the use of material nonpublic information for personal gain, including trading or making recommendations involving the NEWT token. Short-term speculative trading by insiders is strictly prohibited. See Exhibit D: Financial Policies for a copy of the Foundation's Trading Policy.

NEWT token allocations for Core Contributors, Early Backers, Magic Labs, as well as Foundation employees are subject to a 36-month vesting schedule with a 12-month cliff. These lock-ups are designed to ensure long-term alignment with the Protocol's success and prevent potential conflicts of interest related to token liquidity.

To promote transparency, fairness, and market integrity, all leadership of Magic Newton Foundation and executive members of the Core Contributors are required to participate in a third-party-managed structured selling program for any sales of their NEWT token allocations. This program is modeled on industry best practices and is designed to prevent opportunistic trading or misuse of material non-public information. Key features of the program include:

- **Pre-Adoption Certification**: Plans must be adopted only when the individual possesses no material non-public information (MNPI).
- **Cooling-Off Period**: To prevent the use of insider information, sales may not begin immediately upon plan adoption and must be delayed for a pre-determined period to limit access to material non-public information.
- **Sale Frequency Limits:** Each structured plan allows for only periodic, pre-scheduled sales to maintain consistency and avoid discretionary timing.
- **Sale Caps:** Structured plan sales follow volume-aligned limits to support transparency, predictability, and long-term alignment.
- **Eligibility Restrictions**: Only fully vested, unlocked, and transferable tokens are eligible for sale—locked or unvested tokens are excluded.
- **Execution Requirements**: Sales are managed by an independent third-party and must occur through approved exchanges or over-the-counter (OTC) desks.
- **Suspension Clause**: Active plans may be paused by the plan administrator during major protocol events (e.g., governance votes, protocol upgrades, or security incidents) to prevent misalignment with broader ecosystem interests.
- **Restricted Intervention**: Once a plan is active, strict limitations exist on modifying the timing, price, or size of any scheduled sale.

Board and Investor Conflicts

As of the date of this disclosure, the Foundation is not aware of any material conflicts of interest among its board members, advisors, or major stakeholders.

David Jeong, a member of the Foundation's Board, is also the Chief Executive Officer of Tread.fi, a platform that provides advanced trading infrastructure and execution tools. Mr. Jeong has fully disclosed this affiliation and will recuse himself from all Foundation discussions and decisions related to Tread.fi.

Related Party Transactions

There are no related-party transactions to disclose. As of the date of publication, no advisory payments have been made to Foundation-affiliated insiders. If any such payments occur, they will be disclosed in future quarterly transparency reports.

Transparency Commitments

The Magic Newton Foundation is committed to maintaining transparency with the community. The Foundation will publish quarterly transparency reports on its website, which will include material updates on governance, operations, ecosystem funds usage, and other areas discussed herein. Each report will also provide an accounting of the Foundation's token treasury, outlining how tokens have been allocated and used across distinct treasury categories. Expenditures will be disclosed in aggregate across categories—as an illustrative example only, such as operations, protocol development, community initiatives, and ecosystem growth. The Foundation will disclose any material related party or insider transaction as part of its quarterly transparency reports and include: the nature of the transaction, the related person, the basis on which the person is a related person, and the number of tokens or funds involved in the transaction.

10. Financial Overview and Transparency

Financial Overview

Following its formation, Magic Newton Foundation received a grant of $USD 1 million from Magic Labs in order to fund its near term expenses including legal costs, operating costs, contractors, and contracts with unaffiliated third party vendors. The Foundation has not raised any capital from investors. As of the date of this document, the Foundation has not conducted any public or private sales of NEWT tokens. Any future token sales by the Foundation will be conducted transparently in accordance with written, predefined policies and reported in quarterly transparency reports, including details on amounts sold, counterparties (where appropriate/possible), and use of proceeds across key treasury categories (e.g., operations, development, and community initiatives).

Since 2018, Magic Labs has raised a total of ~$87M to date, backed by notable investors such as PayPal Ventures, Placeholder, DCG, Volt Capital, and Polygon. As a pioneer of embedded wallets and a leading Wallet-as-a-Service company, all prior fundraising was

completed based on an equity valuation, *not* based on token valuation. Given their early backing of Magic Labs, which served as the initial core contributor to Newton Protocol, all Magic Labs investors (Early Backers) received the opportunity to participate in receiving a portion of the Internal allocation based on their partial pro forma equity ownership of Magic Labs, resulting in ~16.5% allocation of total supply. Neither Magic Labs nor the Foundation intend to return cash flow to equity holders via token-based revenue.

Foundation-controlled wallets and token allocations are included in Exhibit A: On-Chain Addresses. These wallets are subject to public onchain verification. See Exhibit D: Financial Policies for a copy of the Foundation's token management policy.

Use of Funds Oversight

The Magic Newton Foundation is responsible for managing the operational and grant-related funding of the Newton Protocol ecosystem. All onchain funds held by the Foundation are managed in designated multisignature wallets and allocated according to predefined treasury categories. The Foundation is committed to using tokens solely for their designated purpose (e.g., protocol development, validator rewards, or ecosystem growth).

Magic Newton Foundation's transparency framework is built around verifiable, blockchain-native practices that ensure trust and accountability in how NEWT tokens are managed and used. (See Section 8: Verification of Data for more details.) To reinforce these commitments, the Foundation will publish quarterly transparency reports disclosing:

- NEWT balances and movements across all Foundation-controlled wallets or offchain accounts
- The amount and purpose of any funds held offchain (e.g., in fiat)
- Aggregate tokens sold or distributed and their use by category (e.g., operations, grants, development)
- Disbursements from ecosystem funds, reported in aggregate

All wallet activity will remain continuously verifiable onchain by the public. This approach is designed to raise the standard for operational transparency in token launches and long-term protocol stewardship.

Loan Arrangements

To promote fair access to NEWT tokens, the Foundation has entered into strategic loan arrangements to lend NEWT tokens to global liquidity partners. These agreements facilitate equitable token distribution and accessibility, without requiring partners to engage in specific trading activities and without incentives that disadvantage the community. As of the date of publication, the Foundation has partnered with Lead Accelerating Limited (Amber) and Flow Traders Investments Limited.

Each partner is subject to the same key terms:

- Each contract is for 12-months
- Each partner has received a loan of 0.5% of the NEWT total token supply

- The loan agreements do not include any market KPIs or performance conditions
- Magic Newton Foundation may accelerate repayment and terminate the loan upon 30 days' notice, following the completion of a minimum commitment period
- As payment for the partners' services, each loan includes a call option divided into four equal tranches, exercisable at maturity, with varying escalating strike prices

As part of the Foundation's commitment to regulatory compliance, each partner has contractually agreed to comply with all applicable laws and regulations, including not to engage in market manipulation or deceptive trading practices of any kind. These arrangements are designed to ensure that all services are conducted lawfully, ethically, and in accordance with applicable laws. Any changes to these engagements will be included in the Foundation's quarterly transparency reports.

Centralized Exchanges

In connection with the NEWT token launch, the Magic Newton Foundation has entered into agreements with certain centralized exchanges to facilitate token availability and access for users.

Key terms of these arrangements are as follows:

- **Token Allocations:** The Foundation has not allocated any NEWT tokens to centralized exchanges for market making or liquidity seeding.
- **Duration:** These arrangements are not structured as exclusive or long-term agreements. Token support on centralized exchanges remains subject to the exchanges' standard platform terms and may evolve based on exchange policies.

The Foundation will disclose any changes or updates to its centralized exchange arrangements in its quarterly transparency reports.

Accounting Treatment of Digital Assets

The Foundation will account for the genesis issuance of the fixed-supply NEWT token and its subsequent distribution in accordance with applicable accounting standards. At genesis, the minting of NEWT tokens will be recorded as a non-cash balance sheet transaction, recognizing the tokens as an increase in digital asset holdings with a corresponding entry to revenue.

For treasury-held tokens, valuation and impairment will follow the fair value method in accordance with generally accepted accounting principles (e.g., U.S. GAAP or IFRS), including:

- Periodic remeasurement of digital assets to fair value
- Recognition of both unrealized gains and losses through profit and loss (P&L)
- Use of observable market data or appropriate valuation techniques when active market prices are not available

Any material updates to the Foundation's accounting methodology will be provided in future quarterly transparency or audited financial reports.

11. Protocol Governance

Newton Protocol is designed to become “mature” (i.e. increasingly decentralized and permissionless) over time. To support this transition, governance has been structured to evolve alongside the Protocol, gradually shifting decision-making authority from the Magic Newton Foundation to the broader community. This process is intended to balance community empowerment with the continued stability and security of the network. The following section outlines the governance framework, including the respective roles of key stakeholders and the phased roadmap toward full decentralization.

Roles and Responsibilities

Foundation

The Magic Newton Foundation is responsible for overseeing the long-term development of the Newton Protocol and supporting the ecosystem of users, developers, and contributors. Its core functions include maintaining governance processes, managing treasury resources, facilitating integrations, and promoting sustainable protocol growth.

Community

The community consists of end users, validators, operators, developers, agents, and blockchain infrastructure providers that use and build with the Newton Protocol. The community’s role is to guide the direction and development of the Protocol. The community’s responsibilities are expected to increase as the Protocol becomes more decentralized by voting on proposals, and eventually once the Protocol reaches full maturity and decentralization, the creation and execution of proposals.

Governance Rollout Phases

The path to decentralization is divided into clearly defined phases, each representing a milestone in community empowerment. While these phases are sequential, they are not tied to a fixed timeline; progress will depend on the Protocol’s maturity, community readiness, and insights gained along the way. These stages are designed to gradually shift governance responsibilities from the Magic Newton Foundation to the broader ecosystem in a responsible and transparent manner.

Phase 0: Governance Planning

- Publish governance roadmap and initial documentation
- No voting or proposals at this stage

Phase 1: Initial Governance

- Establish voting infrastructure and community forums
- Only the Foundation can propose changes to the Protocol—the community engages in discussions and provides feedback
- The Foundation makes final decisions while incorporating community sentiment

Phase 2: Basic Governance

- Community gains voting rights on predefined parameters and subject areas
- Foundation continues to initiate proposals but leverages community input through community forums
- Illustrative examples of governance matters:
    - Ecosystem development grants (e.g., funding third-party wallet interfaces, AI agent development)
    - Chain support decisions (e.g., integration with non-EVM chains requiring custom wallet contracts)
- Governance voting power will be determined by linear staking (unweighted voting power per NEWT stake amount)

Phase 3: Scoped Governance

- Foundation retains proposal privileges but establishes subject-matter expert councils with community input
- Depending on the growth of the Protocol and then-current needs, councils could oversee aspects of marketing, business development, developer relations, grants, and education
- Certain proposal types may become executable via governance voting
- Same voting mechanics as Phase 2

Phase 4: Full Governance

- The Protocol reaches full technical maturity, and decentralization extends to validators and voting weight distribution
- Subject-matter expert councils are responsible for developing and building community support for governance proposals
- The community gains governance authority over:
    - Staking reward distribution adjustments
    - Fee structure modifications
    - Annual budget approvals and council elections

Core Protocol changes remain outside governance scope, requiring a rollup hard fork for modifications (similar to Ethereum). Community voting follows a delegation-based model, based on unweighted linear NEWT staking. While this governance framework reflects the Foundation's current approach, it remains subject to change as the Protocol matures and in response to community input or changing circumstances.

12. Community and Public Relations Initiatives

Community Governance and Communications

The Magic Newton Foundation is committed to fostering an open and engaged community. To facilitate participation in governance and protocol development, the Foundation will host a public forum, where community members can submit ideas, provide feedback, and engage in structured discussions. Updates regarding governance, protocol improvements, and

ecosystem developments will be communicated through the Foundation's official website newt.foundation and X account @newtfoundation.

Public Relations Strategy

The Foundation's public relations efforts are focused on education, awareness, and user onboarding. To support these goals, the Foundation will continue to engage in ecosystem programs and reward initiatives to help increase public understanding of the Newton Protocol.

Promotional Risks and Ethics

The Foundation is committed to ethical promotion of the Newton Protocol and will not engage in misleading public relations or marketing practices. It does not participate in manipulative promotional campaigns. All public relations or promotional partners and contributors must comply with applicable laws so that marketing efforts are transparent, accurate, and responsible.

13. Legal and Regulatory Considerations

Compliance with MiCA

The Magic Newton Foundation is committed to regulatory transparency and compliance. In line with MiCA requirements, the Foundation has prepared and published a comprehensive MiCA whitepaper disclosing material information related to the NEWT token and Newton Protocol. This whitepaper includes token rights, associated risks, legal classification, governance structure, and technical descriptions.

Based on an independent legal analysis, the NEWT token is classified as an Other Crypto-Asset under the EU's Markets in Crypto-Assets Regulation (MiCA). It is not considered an electronic money token or an asset-referenced token, and does not fall within the scope of traditional financial services legislation in the EU. This classification is informed by the token's utility-based design and the technical characteristics of the Protocol.

To view the MiCA whitepaper, please visit mica.newt.foundation. The MiCA whitepaper any accompanying token legal classification is not passported into the U.S. or other jurisdictions and is provided only for regulatory completeness in the E.U.

Sanctions & Jurisdictional Restrictions

The NEWT token is not intended for possession or use by any persons specifically designated by OFAC or other sanctions enforcement agency of competent jurisdiction, or for distribution in jurisdictions subject to comprehensive international sanctions. This includes, but is not limited to, Belarus, Cuba, Iran, North Korea, Russia, Syria, and the Crimea, Donetsk, and Luhansk regions of Ukraine. Geoblocking measures are implemented for any token distribution events to ensure compliance with applicable sanctions regimes.

Licenses and Registrations

As of the date of publication, other than as specified herein, the Foundation has not obtained specific licenses or registrations related to the offering or distribution of virtual assets in any jurisdiction. The Foundation continues to monitor evolving global regulatory frameworks and may seek licenses or engage with regulatory authorities as required.

Protocol Intellectual Property

The Newton Protocol is built on open-source software and governed by permissive licenses to encourage transparency and community contribution. Further in the Protocol development process, core components of the protocol and associated tooling will be made available on the Foundation's public GitHub repositories listed in Exhibit B: Audit Reports and Code Repositories.

Legal Proceedings

There are no current, pending, or threatened legal proceedings or regulatory investigations against the Magic Newton Foundation, Magic Newton Foundry Ltd., or Magic Newton Operations Ltd.

Tax Considerations

Holding or transacting in NEWT may have tax consequences depending on the holder's jurisdiction. These may include obligations related to capital gains, income, or transaction-based taxes. Each holder is solely responsible for understanding and complying with applicable local tax laws, and is encouraged to consult with independent tax advisors.

14. Risk Factors

For a detailed discussion of the risks associated with the NEWT token, the Newton Protocol, and the broader ecosystem, please refer to Exhibit C: Legal Disclosures and Risks.

15. Exhibits and References

Supporting documents, links, or exhibits that supplement this disclosure can be found here:

- **Exhibit A: On-Chain Addresses**
- **Exhibit B: Audit Reports and Code Repositories**
- **Exhibit C: Legal Disclosures and Risks**
- **Exhibit D: Financial Policies**

Contact information for inquiries: legal@newt.foundation

Disclaimer: *This document is for informational purposes and does not constitute an offer to sell or solicitation to buy any tokens or to participate in any way in the Newton Protocol. The information provided is accurate to the best of Magic Newton Foundation's knowledge as of June 23, 2025. However, future-looking statements involve uncertainties and actual outcomes may differ. Magic Newton Foundation undertakes to update the information herein as required by law or when materially necessary. Prospective and current participants and/or token holders should conduct their own research in addition to reviewing this disclosure. By participating in the Newton Protocol or holding Newton tokens, you acknowledge and accept the risks outlined herein.*

EXHIBIT A: ONCHAIN ADDRESSES

Community Rewards - Wallet

0x2F395C5eCD2983CBa53bD5eddDc0684a415713fb

Validator Rewards - Wallet

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Liquidity Support - Wallet

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Onchain Ecosystem Growth Fund - Wallet

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Onchain Ecosystem Development Fund - Wallet

0x8cC2d3f139EB6d5b6912b3218f7a0f63A6556C8E

Onchain Foundation Treasury - Wallets

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Early Backers - Wallets

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Core Contributors - Wallets

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Magic Labs - Wallets

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EXHIBIT B: AUDIT REPORTS AND CODE REPOSITORIES

Token Smart Contract Audit Report

macro

Magic.link A-1

Security Audit

February 11th, 2025
Version 1.0.0

Presented by 0xMacro

Table of Contents

- Introduction
- Overall Assessment
- Specification
- Source Code
- Issue Descriptions and Recommendations
- Security Levels Reference
- Issue Details
- Disclaimer

Introduction

This document includes the results of the security audit for Magic.link's smart contract code as found in the section titled 'Source Code'. The security audit was performed by the Macro security team on February 6th, 2025.

The purpose of this audit is to review the source code of certain Magic.link Solidity contracts, and provide feedback on the design, architecture, and quality of the source code with an emphasis on validating the correctness and security of the software in its entirety.

Disclaimer: While Macro's review is comprehensive and has surfaced some changes that should be made to the source code, this audit should not solely be relied upon for security, as no single audit is guaranteed to catch all possible bugs.

Overall Assessment

The following is an aggregation of issues found by the Macro Audit team:

Severity	Count	Acknowledged	Won't Do	Addressed
Code Quality	2	2	-	-

Magic.link was quick to respond to these issues.

Specification

Our understanding of the specification was based on the following sources:

Source Code

The following source code was reviewed during the audit:

- **Repository:** newton-token
- **Commit Hash:** `77780d5574452fcf38346aaf816d678ba932a5ca`

Note: This document contains an audit solely of the Solidity contracts listed above. Specifically, the audit pertains only to the contracts themselves, and does not pertain to any other programs or scripts, including deployment scripts.

Issue Descriptions and Recommendations

Click on an issue to jump to it, or scroll down to see them all.

Q-1 Redundant Implementation Logic

Q-2 Enhance Test Coverage

Security Level Reference

We quantify issues in three parts:

1. The high/medium/low/spec-breaking **impact** of the issue:
    - How bad things can get (for a vulnerability)
    - The significance of an improvement (for a code quality issue)
    - The amount of gas saved (for a gas optimization)
2. The high/medium/low **likelihood** of the issue:
    - How likely is the issue to occur (for a vulnerability)
3. The overall critical/high/medium/low **severity** of the issue.

This third part – the severity level – is a summary of how much consideration the client should give to fixing the issue. We assign severity according to the table of guidelines below:

Severity	Description
(C-x) Critical	We recommend the client **must** fix the issue, no matter what, because not fixing would mean **significant funds/assets WILL be lost.**
(H-x) High	We recommend the client **must** address the issue, no matter what, because not fixing would be very bad, *or* some funds/assets will be lost, *or* the code's behavior is against the provided spec.
(M-x) Medium	We recommend the client to **seriously consider** fixing the issue, as the implications of not fixing the issue are severe enough to impact the project significantly, albiet not in an existential manner.
(L-x) Low	The risk is small, unlikely, or may not relevant to the project in a meaningful way. Whether or not the project wants to develop a fix is up to the goals and needs of the project.
(Q-x) Code Quality	The issue identified does not pose any obvious risk, but fixing could improve overall code quality, on-chain composability, developer ergonomics, or even certain aspects of protocol design.
(I-x) Informational	Warnings and things to keep in mind when operating the protocol. No immediate action required.
(G-x) Gas Optimizations	The presented optimization suggestion would save an amount of gas significant enough, in our opinion, to be worth the development cost of implementing it.

Issue Details

Q-1 Redundant Implementation Logic

TOPIC	STATUS	QUALITY IMPACT
Code Readability	Acknowledged	Low

The `CustomTokenFinal` contract will serve as the new proxy implementation, preventing any further upgrades to the deployed `CustomTokenUpgradeable` contract. Since the contract has already been initialized and requires no additional state configurations, consider removing the `initialize()` and `constructor()` logic from the final token.

Q-2 Enhance Test Coverage

TOPIC	STATUS	QUALITY IMPACT
Test Coverage	Acknowledged	Medium

Consider implementing test cases for the upgrade path to verify that the proxy cannot be further upgraded and that all previous functionality behaves as expected. This will ensure comprehensive test coverage and serve as a redundancy check.

Disclaimer

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The scope of this report and review is limited to a review of only the code presented by the Magic.link team and only the source code Macro notes as being within the scope of Macro's review within this report. This report does not include an audit of the deployment scripts used to deploy the Solidity contracts in the repository corresponding to this audit. Specifically, for the avoidance of doubt, this report does not constitute investment advice, is not intended to be relied upon as investment advice, is not an endorsement of this project or team, and it is not a guarantee as to the absolute security of the project. In this report you may through hypertext or other computer links, gain access to websites operated by persons other than Macro. Such hyperlinks are provided for your reference and convenience only, and are the exclusive responsibility of such websites' owners. You agree that Macro is not responsible for the content or operation of such websites, and that Macro shall have no liability to your or any other person or entity for the use of third party websites. Macro assumes no responsibility for the use of third party software and shall have no liability whatsoever to any person or entity for the accuracy or completeness of any outcome generated by such software.

Staking & Airdrop Smart Contracts Audit Report

CANTINA

Newton Keystore Contracts

Security Review

Cantina Managed review by:

Mario Poneder, Security Researcher

Arno, Associate Security Researcher

Jonatas Martins, Associate Security Researcher

May 26, 2025

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1 Introduction

1.1 About Cantina

Cantina is a security services marketplace that connects top security researchers and solutions with clients. Learn more at cantina.xyz

1.2 Disclaimer

Cantina Managed provides a detailed evaluation of the security posture of the code at a particular moment based on the information available at the time of the review. While Cantina Managed endeavors to identify and disclose all potential security issues, it cannot guarantee that every vulnerability will be detected or that the code will be entirely secure against all possible attacks. The assessment is conducted based on the specific commit and version of the code provided. Any subsequent modifications to the code may introduce new vulnerabilities that were absent during the initial review. Therefore, any changes made to the code require a new security review to ensure that the code remains secure. Please be advised that the Cantina Managed security review is not a replacement for continuous security measures such as penetration testing, vulnerability scanning, and regular code reviews.

1.3 Risk assessment

Severity	Description
Critical	*Must* fix as soon as possible (if already deployed).
High	Leads to a loss of a significant portion (>10%) of assets in the protocol, or significant harm to a majority of users.
Medium	Global losses <10% or losses to only a subset of users, but still unacceptable.
Low	Losses will be annoying but bearable. Applies to things like griefing attacks that can be easily repaired or even gas inefficiencies.
Gas Optimization	Suggestions around gas saving practices.
Informational	Suggestions around best practices or readability.

1.3.1 Severity Classification

The severity of security issues found during the security review is categorized based on the above table. Critical findings have a high likelihood of being exploited and must be addressed immediately. High findings are almost certain to occur, easy to perform, or not easy but highly incentivized thus must be fixed as soon as possible.

Medium findings are conditionally possible or incentivized but are still relatively likely to occur and should be addressed. Low findings a rare combination of circumstances to exploit, or offer little to no incentive to exploit but are recommended to be addressed.

Lastly, some findings might represent objective improvements that should be addressed but do not impact the project's overall security (Gas and Informational findings).

2 Security Review Summary

Magic Labs presents the Newton Foundation: the Verifiable Automation Layer for the Multichain Economy.

From Mar 25th to Mar 29th the Cantina team conducted a review of newton-keystore-contracts on commit hash 1395825e. The team identified a total of **9** issues:

Issues Found

Severity	Count	Fixed	Acknowledged
Critical Risk	0	0	0
High Risk	0	0	0
Medium Risk	0	0	0
Low Risk	4	3	1
Gas Optimizations	0	0	0
Informational	5	5	0
Total	**9**	**8**	**1**

3 Findings

3.1 Low Risk

3.1.1 Usage of non-upgradeable base contracts in proxy implementation contracts

Severity: Low Risk

Context: BalanceCheckpoints.sol#L13, DelegatedValidatorPool.sol#L13, Staking.sol#L13, SingleAdminAccessControl.sol#L14

Description: The proxy implementation contracts `Staking` and `DelegatedValidatorPool` both inherit from the abstract `BalanceCheckpoints` contract, which in turn inherits from a non-upgradeable version of an `ERC20` contract. Furthermore, the `Staking` contract inherits from the abstract `SingleAdminAccessControl` contract, which in turn inherits from OpenZeppelin's non-upgradeable `AccessControl` contract. Such non-upgradeable contracts lack the following features:

- Custom hash-based storage locations to avoid storage collisions with the proxy contract's storage.
- Storage gaps to reserve storage slots for future variables.
- Initializer methods that allow initialization through the proxy instead of immediate initialization on construction/deployment.

Recommendation: It is recommended to rely on OpenZeppelin's `ERC20Upgradeable` and `AccessControlUpgradeable` contracts and use the corresponding initializer methods.

Magic Labs: Fixed in PR 7.

Cantina Managed: Fix verified.

3.1.2 Proxy implementation contracts allow direct initialization

Severity: Low Risk

Context: DelegatedValidatorPool.sol#L138-L158, Staking.sol#L100-L111

Description: The proxy implementation contracts `Staking` and `DelegatedValidatorPool` should only be able to be initialized within the storage context of their respective proxy contracts. However, these contracts can also be directly initialized within their own storage context, which is unexpected.

Recommendation: It is recommended to add a call to the `_disableInitializers` method to the constructors of the `Staking` and `DelegatedValidatorPool` contracts.

Magic Labs: Fixed in PR 8.

Cantina Managed: Fix verified.

3.1.3 Delayed rewards might be lost

Severity: Low Risk

Context: DelegatedValidatorPool.sol#L231

Description: During the initialization of `DelegatedValidatorPool` contract, it deposits into the `Staking` contract and mints a `MIN_BAL` value, making the contract ready to receive rewards. If the first call to `createDelegateReward` is delayed, and the rewards are claimed, the call to this function will be distributed to `cycleRewards[START_CYCLE].cutoffBlock`, which is always 0. Since there is no supply or deposit at block number of 0, the rewards become stuck in this contract.

Recommendation: Consider calling `createDelegateRewards` during initialization to prevent delays.

Magic Labs: Fixed in PR 11.

Cantina Managed: Fix verified.

3.1.4 Rounding down leaves dust amounts in reward cycles

Severity: Low Risk

Context: DelegatedValidatorPool.sol#L220-L224

Description: During reward claims from `_reapReward`, the `claimAmount` is calculated using rounding down, which can leave dust amounts in the reward cycle. Here's an example:

User	cycleStartBalance	Expected Claim	Rounded Down Claim
A	333	33.3	33
B	222	22.2	22
C	445	44.5	44
Total	**1000**	**100**	**99**

This example shows that 1 wei of reward tokens remains stuck in the contract. The maximum amount of tokens stuck is 1 wei per staked user. While this value is not significant, it's worth noting.

Recommendation: There is no straightforward fix, but one solution would be to implement functionality to withdraw unclaimed old rewards. For example, allowing the owner to withdraw rewards that are more than 10 cycles old.

Magic Labs: Because the amount of funds left behind being on the order of 1 wei per user claiming, we have opted to not address this issue and leave as is.

Cantina Managed: Acknowledged.

3.2 Informational

3.2.1 Unused `_replace` operator method

Severity: Informational

Context: BalanceCheckpoints.sol#L241-L243

Description: The internal `_replace` operator method of the `BalanceCheckpoints` contract is unused.

Recommendation: It is recommended to either implement the intended use case for the method or remove it.

Magic Labs: Fixed in PR 9.

Cantina Managed: Fix verified.

3.2.2 `Staking` approval functions should revert

Severity: Informational

Context: Staking.sol#L200-L209

Description: While the `transfer` and `transferFrom` functions are disabled, other functions like `approve`, `increaseAllowance`, and `decreaseAllowance` remain enabled. For better consistency, these functions should also revert.

Recommendation: Consider implementing a revert in the `_approve` function, which is internally called by `approve`, `increaseAllowance`, and `decreaseAllowance`.

Magic Labs: Fixed in PR 10.

Cantina Managed: Fix verified.

3.2.3 Adding future cycle validation in `_reapReward`

Severity: Informational

Context: DelegatedValidatorPool.sol#L208

Description: The function `_reapReward()` lacks validation of the `_cycle` parameter against `currentCycle`. While the function reverts with `MustHaveFundsToClaim`, this error message doesn't accurately reflect the proper reason. The function should verify that `_cycle` falls between `START_CYCLE` and `currentCycle`. Although users can claim old rewards, they shouldn't be able to claim from future cycles or cycles before the start value.

Recommendation: Consider implementing a check using the unused `CycleOutOfBound` event:

```
require(_cycle > START_CYCLE && _cycle < currentCycle, CycleOutOfBound(_cycle));
```

Magic Labs: Fixed in PR 12.

Cantina Managed: Fix verified.

3.2.4 Missing functionality to rescue locked rewards

Severity: Informational

Context: Staking.sol#L189

Description: The `takeFees()` function is used to distribute rewards to validators. Validators may get jailed but still be allowed to claim rewards, or they may receive a permanent ban for serious violations. In the latter case, the validator loses its role in the contract and faces a penalty. As a result, unclaimed rewards may become stuck.

Recommendation: Add a function to rescue any unclaimed rewards and clear the state of stuck pending rewards.

Magic Labs: Fixed in PR 13.

Cantina Managed: Fix verified.

3.2.5 `RewardAdded` event emits incorrect `currentCycle` value

Severity: Informational

Context: *(No context files were provided by the reviewer)*

Description: This finding was raised by the MagicLabs team during a post-audit review request and has been reviewed and validated by Cantina management.

The `RewardAdded` event currently emits with the *next* `currentCycle` and the *previous* `cutoffBlock`, leading to inconsistencies between the actual reward cycle being processed and what's emitted.

For example, on the first interaction:

- `currentCycle = 1001`.
- `cutoffBlock = 0`.

However, the event's expected value for `currentCycle` should be `1000`.

Recommendation: Consider emitting the event using the `currentCycle` and then calling `_createDelegateReward`.

Magic Labs: Fixed in PR 22.

Cantina Managed: Fix verified.

Newton Protocol Code Registry

Code related to the Newton Protocol—including the Newton Model Registry, the Keystore rollup components, and staking and governance modules—will be published and maintained in public repositories. Once development is complete and published, the codebase will be available at: https://github.com/newt-foundation.

EXHIBIT C: LEGAL DISCLOSURES AND RISKS

Magic Newton Foundry Ltd. does not operate or control any centralized or decentralized trading venue on which NEWT tokens might be listed. The Protocol and its governance may evolve in response to technical or regulatory developments, and unforeseen risks could require changes to strategy or structure. The risks outlined below highlight regulatory uncertainty, liquidity limitations, governance risks, network centralization concerns, security vulnerabilities, and potential adjustments to fees or NEWT supply that could impact the holding of NEWT. It is critical that participants review these risks carefully.

Additional MiCA disclosures can be found at: mica.newt.foundation.

1. Regulatory and Legal Risks

- **Jurisdictional Uncertainty:** Regulations governing crypto-assets vary significantly by jurisdiction and are subject to rapid change. While Magic Newton Foundry Ltd. has taken steps to comply with applicable frameworks (including MiCA), future regulatory developments may impact NEWT's classification, usage, or availability.
- **MiCA and Other Frameworks:** Compliance under MiCA does not guarantee compliance with other global frameworks. Participants remain responsible for complying with local laws, tax obligations, and reporting duties. To review the full MiCA whitepaper disclosure, please visit mica.newt.foundation.
- **Enforcement and Classification Risk:** NEWT is not intended to be any kind of security or investment, but regulatory agencies could decide to classify NEWT as a financial instrument or security, leading to compliance burdens, enforcement actions, or trading restrictions. In the United States, if NEWT were ever used in connection with derivatives or margin trading, the Commodity Futures Trading Commission (CFTC) could assert jurisdiction and require applicable compliance.
- **Restrictions on U.S. Participation:** Structured loan arrangements—including call-option liquidity—prohibit sale or marketing to U.S. Persons pursuant to Regulation S under the U.S. Securities Act of 1933. Borrowers must comply with applicable offshore transaction restrictions and ensure no directed selling efforts target U.S. markets.
- **Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF), and Sanctions:** Authorities may scrutinize crypto-assets for potential links to illicit activity. Compliance with KYC, AML, and sanctions screening requirements may be required for certain transactions or platform access. Tokens or digital wallet addresses could become blocked, frozen, or specifically designated as restricted if the controller or any counterparties are the subject of any applicable sanctions regime.
- **Taxation Risk:** Participants must understand and comply with applicable tax obligations, which vary by jurisdiction and transaction type.

2. Holding Risks

- **Volatility:** As with other crypto-assets, the price of NEWT may experience significant fluctuations due to external factors such as shifting market sentiment, technological developments, and changes in regulatory environments.
- **Liquidity Risk:** There is no guarantee of deep or sustained liquidity on decentralized or centralized exchanges. Thin markets may result in slippage, failed transactions, or difficulty accessing or using NEWT.
- **Risk of Delisting or CEX Insolvency:** Listings are not guaranteed. Delisting or exchange insolvency could result in loss of access or tradability of NEWT.
- **Valuation:** Beyond stated Protocol utilities (governance, staking, gas, etc.), NEWT's value is contingent on ecosystem growth, adoption, and community sentiment.

3. Technology and Infrastructure Risks

- **Protocol Bugs and Smart Contract Failures:** Despite audits and best practices, NEWT smart contracts and the Newton Protocol may contain undiscovered bugs, vulnerabilities, or integration flaws.
- **Private Key Loss:** Holders are solely responsible for securing their wallet credentials. Lost keys result in permanent loss of access.
- **Network Congestion or Downtime:** Transaction delays, rising fees, or execution failures may occur during network stress.
- **Immutability Risks:** Some smart contracts are non-upgradable. Errors in deployed code may be irreparable.
- **Quantum and Future-Tech Risks:** Advances like quantum computing may pose long-term security risks to cryptographic primitives.

4. Governance and Economic Risks

- **Fee and Supply Adjustments:** While NEWT has a fixed supply, governance may vote to alter staking rewards, fee distributions, or other economic parameters.
- **Internal Unlock Risks:** certain NEWT genesis allocations are subject to 36-month vesting or 48-month unlock schedules (See Section 7: Token Distribution and Vesting). The vesting and unlocking of these tokens may influence the availability of NEWT.
- **Operational Centralization (Transition Risk):** The Protocol will initially operate under a centralized environment and permissioned validator model with eventual transition to a decentralized validator set. Centralization may pose censorship or governance risks during this phase.
- **Consensus Failures:** Network forks, validator failures, or governance disputes may disrupt protocol functionality or asset finality.
- **Regulatory Driven Forks:** Future regulatory requirements in certain jurisdictions could potentially compel validators or exchanges to support forked versions of the Protocol, potentially splitting liquidity and token value.

5. Counterparty and Ecosystem Risks

- **Service Provider Dependencies:** The Protocol depends on third-party infrastructure providers, including Intel TDX, RISC Zero, Succinct, and others. Failures, legal risks, or technical issues with these partners could affect the Protocol.

- **Reputational and Fraud Risks:** Unverified partners, scams, phishing, and impersonation risks may lead to loss of user funds or trust.
- **Liquidity Arrangements:** NEWT liquidity support involves call-option loan structures with third-party providers. While these arrangements aim to improve equitable token access, they carry the risk that counterparties may underperform or fail to meet their obligations, potentially leading to instability or reduced trust in the token. See Section 10: Financial Overview and Transparency for key terms related to these arrangements.

6. Implementation and Adoption Risks

- **Technical Rollout Delays:** Features such as staking, permissioned validator transitions, or governance upgrades may face delays.
- **Adoption and Network Demand:** The long-term utility of NEWT depends on ecosystem usage, developer participation, and agent-driven automation growth.
- **Competitive Landscape:** Other protocols may offer better incentives, tooling, or liquidity, challenging Newton Protocol's position.
- **Community Engagement:** Sustained user and developer engagement is essential. Failure to build active community support may limit success.
- **Insufficient Fee Revenue:** The Protocol's long-term sustainability depends on generating sufficient fee income to support validator rewards required for the ongoing security and functionality of the Protocol.

7. Unanticipated Risks

This disclosure is not exhaustive. There may be additional regulatory, economic, technical, or operational risks that are unforeseen at this time. Participants should conduct independent assessments before engaging with NEWT or the Newton Protocol.

EXHIBIT D: FINANCIAL POLICIES

Magic Newton Foundation Onchain Funds Usage Policy

Purpose and Scope

This internal policy defines how the Magic Newton Foundation ("Foundation") is authorized to manage and utilize three designated on-chain token funds that are part of the Foundation's token allocation. These funds – the Onchain Ecosystem Growth Fund, Onchain Ecosystem Development Fund, and the Onchain Foundation Treasury – collectively support the growth, development, and operations of the Newton Protocol ecosystem. This policy outlines the purpose of each fund, permitted uses and restrictions, governance oversight and requirements for transparency. While an internal document, this policy may be published for transparency and will guide both current fund usage and future adjustments as governance evolves.

Scope: This policy applies to the Foundation's Board of Directors and any Foundation teams or committees involved in budgeting, approving, or disbursing payments from the three on-chain funds. It covers the use of the specified token allocations (denominated in the Foundation's native token, NEWT) comprising 15.5%, 12.5%, and 9.5% of total token supply respectively for the Growth Fund, Development Fund, and Treasury. All Foundation personnel must adhere to this policy when recommending or executing expenditures from these funds.

Governance and Oversight

Board Management: The Board of the Magic Newton Foundation ("Board") is responsible for the management and oversight of the Onchain Ecosystem Growth Fund, Onchain Ecosystem Development Fund, and Onchain Foundation Treasury. All decisions to deploy or allocate tokens from these funds must be approved by the Board in accordance with the Foundation's governance procedures. The Board may delegate day-to-day administration (for example, reviewing grant proposals or processing payments) to Foundation staff or committees, but ultimate authority and responsibility remain with the Board. Expenditures from any fund shall follow internal approval workflows (e.g. documented proposals and Board resolution or committee sign-off) to ensure compliance with this policy and alignment with the Foundation's mission.

Community Participation Roadmap: The Foundation is committed to gradually introducing community participation in fund governance over time, as outlined in the project's governance roadmap. Initially, the Board will exclusively manage these funds to ensure stability and accountability. Over time – and in alignment with decentralization milestones – the Foundation will implement mechanisms for token-holder or community input in funding

decisions. This may include establishing community advisory boards, grant committees with community representatives, or on-chain governance votes for certain allocations. The shift to community-inclusive governance will be executed cautiously and transparently, ensuring that the community's role expands according to a clear roadmap without compromising the effective use of funds. Until such mechanisms are in place, the Board retains final decision-making authority over all fund usage.

Fund Allocations and Authorized Uses

Below are the three on-chain funds covered by this policy, with their specific purpose, permitted uses, restrictions, and vesting schedules. Each fund represents a portion of the total NEWT token supply allocated to the Foundation's initiatives. The funds must be used only for their intended purpose categories and in accordance with the restrictions noted.

1. Onchain Ecosystem Growth Fund (15.5% of total supply)

Purpose: The Ecosystem Growth Fund is dedicated to campaigns, partners, and programs that directly grow the Newton Protocol ecosystem's user base and engagement. This includes initiatives to attract, reward, and retain users and participants in the network. Any unclaimed or unused NEWT allocated to community rewards (e.g., airdrops) will remain unlocked and transferred to the Onchain Ecosystem Growth Fund for future use.

Authorized Uses: The Growth Fund may be used to finance a variety of growth-oriented activities and incentives, for example:

- **User Acquisition Programs:** Funding user onboarding and growth campaigns such as referral bonuses, airdrops, quests or challenges that reward new users for trying Newton Protocol-based applications.

- **Staking and Participation Incentives:** Budgeting for staking reward campaigns similar incentives that encourage users to stake tokens, provide liquidity, or otherwise actively participate in the Newton Protocol ecosystem.

- **Marketing and Community Outreach:** Paying for marketing efforts that increase awareness and adoption of Newton Protocol, including community events, workshops, educational content, ambassador programs, and strategic partnerships that drive user growth.

- **Ecosystem Partnerships:** Supporting collaborations with other platforms or communities (e.g. joint promotions or integrations) that bring new users into the Newton Protocol ecosystem.

Restrictions: This fund shall not be used to finance core protocol development work or technical consulting/advisory services. In other words, the Growth Fund is prohibited from covering expenses related to building or auditing the underlying Newton Protocol software itself, or any technical R&D that properly falls under ecosystem development. Those technical efforts must be funded by the Development Fund or other appropriate resources.

The Growth Fund must remain focused on growth and adoption initiatives, and any proposed expenditure outside of these parameters (for example, using Growth Fund tokens to pay developers for Protocol upgrades) is not authorized under this policy.

Vesting Schedule: The Onchain Ecosystem Growth Fund's tokens are subject to a vesting schedule to ensure long-term support of growth initiatives. 20% of the Growth Fund tokens unlock immediately (upfront) for use at the network launch or token generation event, providing initial liquidity for early growth programs. The remaining 80% of this fund vests linearly over 48 months (approximately 4 years) after launch. Tokens become available gradually over this period at a steady rate. The Board must budget and plan campaigns in alignment with this vesting curve – ensuring that spending from the Growth Fund does not exceed the tokens unlocked at any given time. Any unused tokens remain in the fund's on-chain wallet and continue to vest according to schedule. The vesting mechanism guarantees that growth efforts can be sustained over the long term and prevents rapid depletion of the fund in early stages of the project.

2. Onchain Ecosystem Development Fund (12.5% of total supply)

Purpose: The Ecosystem Development Fund is designated to support the technical development and continuous improvement of the Newton Protocol and its ecosystem. This fund fuels initiatives that enhance the Protocol's capabilities, tooling, and infrastructure, as well as fostering the developer community that builds on the Newton Protocol.

Authorized Uses: The Development Fund may be used for programs and expenses that directly contribute to the Protocol's technical advancement and a robust developer ecosystem, including:

- **Protocol Development:** Providing grants or funding to core developers, ecosystem developers, or research groups working on improvements to the Newton Protocol itself (e.g. Protocol upgrades, optimizations, security enhancements). This can include bounties for implementing new features or squashing critical bugs.

- **Developer Bounties and Grants:** Incentivizing external developers to build on the Newton Protocol through hackathon prizes, bounty programs for creating dApps, tools, or integrations, and grants to open-source projects that benefit the Newton Protocol ecosystem (such as SDKs, libraries, or infrastructure components).

- **Infrastructure Incentives:** Supporting the growth of essential infrastructure by rewarding entities running nodes, validators, or other network infrastructure, or subsidizing services that improve network performance and reliability (for example, oracle services or layer-2 integrations specific to the Newton Protocol).

- **Technical Events and Education:** Funding hackathons, developer workshops, coding bootcamps, and technical documentation or tutorials to educate and grow the pool of developers familiar with the Newton Protocol. Also includes sponsorship of developer conferences or Newton Protocol-centric meetups that spur technical collaboration.

- **Security and Audits:** Covering the costs of security audits, bug bounty programs, and expert reviews of the Newton Protocol and related smart contracts to ensure a secure and robust ecosystem.

Restrictions: The Development Fund is intended solely for technology development and improvement efforts. It should not be used for general marketing, user growth campaigns, or unrelated operational costs. Non-technical initiatives (e.g. user acquisition incentives, brand marketing) must draw from the Growth Fund or other sources, not the Development Fund. In addition, use of this fund should align with the Newton Protocol's technical roadmap and priorities set by the Foundation; funding requests that fall outside the scope of improving the Newton Protocol's technology or supporting its developer community are not permitted. All spending must clearly tie back to enhancing the Protocol or its ecosystem's technical strength.

Unlock Schedule: The Onchain Ecosystem Development Fund is also subject to a long-term unlock model to ensure continued support for development over time. 20% of the Development Fund tokens unlock upfront at token launch, allowing immediate funding of critical early development needs or initial hackathons. The remaining 80% unlock linearly over 48 months. Accordingly, the fund's accessible token balance will increase gradually each month as tokens unlock. The Board and any grant committees must account for this unlock schedule when approving development grants or initiatives, pacing commitments so they do not exceed the unlock release. This gradual unlock approach aligns developer incentives with the network's growth and ensures that resources for development are available through the first four years of the project's lifecycle.

3. Onchain Foundation Treasury (9.5% of total supply)

Purpose: The Foundation Treasury fund is reserved for general operations and initiatives in support of the Newton Protocol and the Magic Newton Foundation's activities.

Authorized Uses: Treasury funds may be deployed for legitimate operational and administrative needs of the Foundation in support of the Newton Protocol, including but not limited to:

- **Personnel and Staffing:** Funding salaries, benefits, and contractor payments for Foundation staff who work on legal, operational, regulatory, administrative, marketing, or any non-core-development roles. This includes hiring new staff and related recruitment expenses, as well as board stipends if applicable.

- **Operational Expenses:** Paying for day-to-day operational costs such as office space, software subscriptions, cloud services, equipment, and other overhead required for the Foundation's functioning. This also covers expenses like accounting and bookkeeping services, insurance, and other corporate requirements.

- **Vendor and Service Provider Payments:** Settling invoices from external vendors or service providers engaged by the Foundation – for example, legal counsel, accounting firms, auditors, compliance consultants, or public relations agencies. Any

professional services procured to support the Foundation's mission or in support of the Newton Protocol can be paid from the Treasury.

- **Foundation Governance and Initiatives:** Funding the execution of Foundation-led programs that are not directly user-facing but necessary for ecosystem health, such as research initiatives, policy and governance development, or cross-ecosystem collaborations.

Restrictions: The Treasury also should not be used for personal benefit of any Board member or employee beyond approved compensation and expenses – all expenditures must relate to bona fide Foundation operations. All usage of the Treasury must comply with general financial controls and any applicable regulatory requirements.

Unlock Schedule: To promote financial stability, the Onchain Foundation Treasury tokens are released over time. 20% of the Development Fund tokens unlock upfront at token launch, allowing immediate funding of critical early operational needs. The remaining 80% unlock linearly over 48 months. This unlock ensures the Foundation cannot exhaust its entire token treasury early on and has a continuous budget stream over multiple years. The Board is responsible for prudent financial planning using this unlock schedule – budgeting expenses so that the Foundation's operations are funded long-term. The Foundation may convert tokens to fiat or stablecoins as needed to manage cash flow, but such conversions should be timed and sized in a responsible and ethical manner

Transparency and Reporting

The Magic Newton Foundation shall maintain full transparency around the use of the above funds in accordance with this policy and broader Foundation transparency guidelines. Even as an internal policy, the principles of openness and accountability are crucial, given these funds ultimately benefit the community and ecosystem. The following reporting practices are mandated:

- **Quarterly Fund Usage Reports:** The Foundation will publish quarterly reports detailing the expenditures from each of the three onchain funds. These reports will include a summary of how many tokens (or their fiat equivalent value if held in offchain accounts) were spent from each fund in the quarter, for what general purpose, and under which category (growth, development, or treasury). The report should highlight major initiatives or grants given, and it will include the remaining token balances of each fund. Reports will be published on an official Foundation channel (e.g. the Foundation's blog or website) after Board review. They will omit any confidential counterparty details as necessary (for instance, individual salaries might be aggregated for privacy), but will aim to provide the community with a clear view of fund utilization.

- **On-Chain Wallet Transparency:** The Foundation will maintain dedicated on-chain wallet addresses for each of the three funds (segregated for Growth, Development, and Treasury). These addresses will be made publicly accessible and labeled, so that community members or third-parties can independently track fund balances and

token movements onchain. Any tokens (or proceeds from their sale) that are not held in onchain tagged wallets will be disclosed by Foundation as part of its quarterly disclosure reports. All disbursements from these wallets should be made from the designated addresses to ensure traceability.

- **Compliance:** Internally, detailed records of fund usage will be kept to demonstrate compliance with this policy. The Foundation's finance team will ensure that use of funds aligns with this policy. Additionally, the Board may commission periodic independent third-party verification of the fund activity to reinforce trust and accountability.

- **Applicable Policies:** All public disclosures will be made in compliance with applicable legal, regulatory, and policy requirements. For example, if certain financial information is sensitive or subject to privacy laws, the Foundation will still report in aggregate while respecting those constraints. The commitment to transparency operates within the bounds of any confidentiality obligations, but the default expectation is to be as open as possible about fund use. In case of any conflict between this policy's transparency mandate and other policies (e.g. privacy or legal compliance), the Board will seek a balanced solution, erring on the side of accountability to the community.

By implementing these measures, the Foundation ensures stakeholders can monitor the stewardship of the token funds. Transparent reporting builds community trust and enables the community to verify that the Growth Fund fuels growth initiatives, the Development Fund accelerates technical progress, and the Treasury is spent responsibly on operations and in support of the Newton Protocol. This level of openness is expected to continue even as community governance involvement increases.

Amendments and Review

This policy is approved by the Board of the Magic Newton Foundation and is effective immediately upon adoption. The Board will periodically review this policy (at least annually, or more frequently if needed) to ensure it remains aligned with the Foundation's objectives, the state of the project, and best practices in governance. The Board retains the right to amend or update this policy from time to time at its discretion. Amendments may be necessary to reflect changes such as new governance processes, different funding needs, regulatory developments, or lessons learned from implementation.

- **Amendment Process:** Any changes to this policy must be proposed and approved through a formal Board resolution. Material amendments (for example, repurposing a fund or altering its use cases) should be clearly documented. When amendments are made, the Foundation will communicate these changes internally to all relevant team members. If the policy is published publicly, the Foundation will also update the public documentation and, if appropriate, notify the community of the change (especially if it affects how funds might be used or overseen in the future).

- **Community Input on Amendments:** As the governance of the funds opens up to community participation (per the roadmap mentioned above), the Board may also seek input from the community on proposed policy changes. While the Board has final authority to amend this document, incorporating community feedback can improve legitimacy and alignment with stakeholder expectations. Future iterations of this policy might even require a token-holder vote or community council review to ratify major changes, once such governance structures are in place.

The Onchain Funds Usage Policy is a living document. It provides a structured framework for fund management now, but it can evolve. The overarching goal remains constant: to ensure that the Magic Newton Foundation's token resources are used wisely, transparently, and in service of the Newton Protocol's success. The Board of the Foundation is committed to upholding this policy and updating it as needed to uphold the highest standards of fiduciary responsibility and community trust.

TRADING POLICY

1. Overview. This Trading Policy (the "**Policy**") establishes guidelines to prevent improper trading in Digital Assets (as defined below) and to ensure compliance with applicable laws and regulations. This Policy applies to all Covered Persons of Magic Newton Foundation and its subsidiaries (collectively, the "**Foundation**") and is designed to mitigate risks related to Material Nonpublic Information, conflicts of interest, and market integrity.

In addition to setting trading restrictions and ethical standards, this Policy outlines reporting, disclosure, and pre-clearance requirements to promote transparency and prevent even the appearance of improper conduct. Covered Persons are responsible for understanding and adhering to this Policy in all Digital Asset transactions.

2. Covered Persons. This Policy applies to all directors, officers, and employees of the Foundation, as well to all contractors, clients, and counterparties of the Foundation who have adhered to this Policy separately in writing (collectively, "**Covered Persons**"). Covered Persons include members of their immediate families and members of their households.

3. Digital Assets. This Policy applies to the trading of Newton (NEWT) and any other digital assets, including but not limited to cryptocurrencies, stablecoins, tokens, and non-fungible tokens (NFTs), regardless of whether they are fungible or unique (collectively, the "**Digital Assets**").

4. Covered Transactions. This Policy applies to all transactions involving Digital Assets, which include acquisitions, purchases, lending, borrowing, disposals, sales, short sales, derivatives, hedging, hypothecation, pre-arranged trades, and any other forms of agreements, contracts, or transactions that are intended to provide economic exposure to Digital Assets (collectively, "**Covered Transactions**").

5. Material Nonpublic Information. It is not possible to define all categories of material nonpublic information. However, information should be regarded as "**Material Nonpublic Information**" concerning a single or several Digital Assets if: (a) such information has not been previously disclosed to the general public and is otherwise not available to the general public, and (b) it is reasonably likely to be considered important by a person when determining whether to buy, sell, or otherwise transact in a Digital Asset. While it may be difficult to determine whether certain information is Material Nonpublic Information, there are various categories of information that are particularly sensitive and more likely to be Material Nonpublic Information. Examples of such information may include:

- an actual, pending, or contemplated Foundation Covered Transaction or series of Covered Transactions involving a Digital Asset(s), particularly where such transactions are of significant value;
- integrating or leveraging of Digital Asset(s) or related software or infrastructure, or any pending announcement regarding the same;

- partnership, association with, or entering an agreement between the Foundation and any exchange, on-ramp service, or any other company that may affect price or usage of Digital Assets;

- decision of the Foundation to discontinue development of a products, or to stop accepting, transacting with, or supporting any Digital Asset;

- decision of the Foundation to develop any software related to a Digital Asset when said software is reasonably expected to affect the price or usage of the Digital Asset.

6. No Trading of Digital Assets When in Possession of Material Nonpublic Information. Regardless of the existence (or not) of a Non-Trading Period, a Covered Person possessing Material Nonpublic Information relating to a particular Digital Asset, will not engage in any transaction involving such Digital Asset on the basis of that information from the moment when a Covered Person becomes aware of Material Nonpublic Information until the information is considered to have been publicly disclosed, or in the absence of public disclosure, when the information is no longer material. Material Nonpublic Information is considered to have been publicly disclosed only after it has been widely disseminated.

7. Non-Trading Period. A non-trading period is any time period designated by the Compliance Officer during which Covered Persons may not, as a general rule, engage in a transaction involving Digital Assets (“Non-Trading Period”). The Compliance Officer will impose a Non-Trading Period (a) whenever the Foundation is conducting one or more Covered Transactions, (b) there is likely to be Material Nonpublic Information as defined in Section 5, or (c) in other circumstances at the discretion of the Compliance Officer.

The Compliance Officer will notify the Covered Persons affected by a Non-Trading Period when the Non-Trading Period begins and ends. Those affected will not disclose to others the existence of a Non-Trading Period.

8A. Trading Restrictions. The Covered Person must not engage in any Covered Transactions (a) during any Non-Trading Period (as defined below), or (b) in violation of the Foundation’s restrictions on trading while in possession of Material Nonpublic Information (see Section 6).

Further, to prevent any appearance of impropriety, Covered Persons are strictly prohibited from engaging in any Covered Transaction involving Digital Assets that are issued, directly supported, or actively promoted by the Foundation, including but not limited to NEWT. For the purposes of this Policy, "direct support or promotion" includes the Foundation’s involvement in the development, issuance, marketing, or public endorsement of a Digital Asset, or where the Foundation provides preferential access, integration, or other material benefits related to such Digital Asset. This prohibition does not apply to Digital Assets that are merely accessible or tradable through the Newton Protocol, provided the Foundation does not otherwise issue, support, or promote them as described above.

Notwithstanding the foregoing, Covered Persons may sell or transfer NEWT tokens they have received through Foundation-approved grants, equity compensation, or similar incentive programs, provided that any such transactions fully comply with the restrictions set forth in this Policy, including with respect to Material Nonpublic Information, Non-Trading Periods, and structured-selling (if applicable).

8B. Structured Selling. To further reduce the risk of improper trading and to manage the appearance of impropriety, the Foundation has established a structured-selling program that allows for pre-scheduled, rules-based transactions involving Digital Assets received through Foundation grants, equity compensation, or similar incentive arrangements. Participation in this program may be required for certain individuals, as determined by the Compliance Officer. The program is also available on an optional basis to other Covered Persons who may wish to better manage their exposure to Material Nonpublic Information in a compliant and transparent manner.

For clarity, transactions executed pursuant to a pre-approved, binding structured-selling plan that meets Foundation requirements and was established in good faith when the Covered Person was not in possession of Material Nonpublic Information are exempt from Non-Trading Period restrictions.

9. No Disclosure or Tipping of Material Nonpublic Information. If a Covered Person discloses or tips an outsider (**"Tippee"**), using Material Nonpublic Information, and the Tippee undertakes a trade in Digital Asset, both the Covered Person and the Tippee may be found liable. A Covered Person will not disclose (**"tip"**) all or any portion of Material Nonpublic Information to any Tippee where such Material Nonpublic Information may be used by a Tippee to profit by trading in a transaction involving Digital Asset (any such action, "**Tipping**").

Material Nonpublic Information is confidential and proprietary to the Foundation and the unauthorized disclosure of such information is forbidden. Material Nonpublic Information may only be disclosed in accordance with the Foundation's policies or as otherwise authorized by the Compliance Officer.

10. Adverse Conduct and Market Manipulation. Covered Persons must not engage in any activity that is adverse to, or that has the appearance of being adverse to, the interests of the Foundation in connection with any transaction involving Digital Assets. This includes, but is not limited to, market manipulation, deceptive practices, or any conduct that creates or induces a false, misleading, or artificial appearance of activity or value in any Digital Asset.

Prohibited activities include, without limitation:

- **Front-running** – Executing, facilitating, or participating in transactions based on Material Nonpublic Information before it is publicly available.
- **Wash trading** – Engaging in or facilitating trades that result in no material change in beneficial ownership of a Digital Asset, including self-trading or coordinated trading with others.
- **Pump-and-dump schemes** – Coordinating or engaging in manipulative activities designed to artificially inflate or deflate the price of a Digital Asset for personal or third-party gain.
- **Spoofing or layering** – Placing and canceling orders to create false signals of supply or demand.

- **Ramping or cornering** – Manipulating the price, value, or trading volume of a Digital Asset or any related instruments to create artificial scarcity, demand, or market dominance.

- **Tipping** – Disclosing or sharing Material Nonpublic Information with any person or entity who may use it to transact in Digital Assets.

- **Social media manipulation** – Coordinating or engaging in deceptive conduct intended to unduly influence the market price of any Digital Asset through social media or other public forums.

- **Aiding or abetting** – Facilitating, assisting, financing, supporting, or endorsing any of the foregoing activities in any capacity.

- **Use of rarity ranking tools** – Utilizing rarity or sniping or any similar tools in connection with any Digital Asset, product, or project by or in collaboration with the Foundation.

These prohibitions apply to all trading activity, whether conducted directly or indirectly, and regardless of whether it occurs on centralized or decentralized platforms. Covered Persons must conduct themselves in a manner that upholds the integrity of and aligns with the Foundation's ethical and compliance standards.

11. Whitelists; Airdrops. Covered Persons may receive Digital Assets, including tokens and NFTs, through whitelists, airdrops, or similar distribution mechanisms only if such opportunities are made available to the general public on the same terms.

Covered Persons must not receive Digital Assets, whitelist spots, airdrops, or similar benefits:

- **Due to their role at the Foundation** – Covered Persons may not accept any allocation, preferential treatment, or special access to Digital Assets based on their affiliation with the Foundation.

- **For internal Foundation products or tokens** – Covered Persons may not participate in any whitelist, airdrop, or similar distribution related to Digital Assets issued, supported, or promoted by the Foundation (which for clarity, includes NEWT).

If a Covered Person receives Digital Assets through a whitelist or airdrop (permitted or otherwise), they must:

- **Comply with the Policy** – All provisions of the Policy related to the handling, disclosure, and trading of Digital Assets apply to these assets.

- **Not sell or transfer for value** – Covered Persons must not sell, trade, or otherwise disburse Digital Assets received through whitelists or airdrops if the value of those assets is influenced by the Covered Person's role at the Foundation.

12. Individual Responsibility. Each Covered Person has an individual responsibility to comply with this Policy and applicable laws against insider trading, regardless of whether a Non-Trading Period is in place. Appropriate judgment should always be exercised in

connection with any transaction involving Digital Assets. At any time and from time to time, a Covered Person may have to forego a proposed transaction involving Digital Assets even if they planned to make the transaction before learning of Material Nonpublic Information, and even though the Covered Person may suffer an economic loss or forego anticipated profit by waiting until the Non-Trading Period ends. Covered Persons must cancel all stop-loss orders and other open or limit orders in Digital Assets during Non-Trading Periods to avoid the possibility of transactions that may violate applicable laws or this Policy.

13. Contractors. This Policy applies to such third-party contractors, clients, and counterparties of the Foundation, who have accepted this Policy by entering a written agreement with the Foundation that expressly refers to this Policy.

14. Compliance Officer. The Foundation's legal counsel or other designated individual ("**Compliance Officer**") is responsible for the implementation of this Policy. Unless otherwise stated, the Compliance Officer has authority to make all decisions and determinations under this Policy.

15. Questions About this Policy. If any questions arise with respect to the application of this Policy, before you engage in a transaction involving Digital Asset, ask a Compliance Officer.

16. Reporting Violations. Covered Persons have an obligation to report known or suspected violations of this Policy to the Compliance Officer in an expeditious manner.

17. Consequences of Non-compliance with this Policy. Covered Persons who violate any portion of this Policy are subject to disciplinary action by the Foundation, which may include termination of employment depending on the circumstances as determined by the Foundation in its discretion. Covered Persons may also be subject to criminal or civil liability for violating applicable laws or regulations.