



District X Contributor Reward Program

April 30, 2022

Background

Since the creation of District X, contributors have often asked:

“What are the benefits of being a contributor to District X?”

Honestly, over the years I have literally spent hundreds of hours internally struggling with this very question. Specifically, over the question of how we could reward our contributors in such a way that is both substantial enough to convey our gratitude for the generosity of their support, while still being legal, fair to all, sustainable, and not so much of an administrative burden that it hinders our ability to operate a profitable business.

Since the creation of districts, there has been much confusion amongst contributors. Some felt that the contribution of MANA they provided to Decentraland in 2017 toward the formation of districts was an investment, and therefore legally entitled to something in return.

I have always conveyed in all my communications with contributors to District X, that any contributions made to Decentraland in 2017 toward the formation of District X (formally named “The Red Light District”) was not an investment, and Decentraland agrees with this as well. This is because there were never any promises made, either expressed or implied, to provide contributors returns based on their contributions of MANA to Decentraland in 2017 toward the formation of districts.

This actually is very good news for all contributors, as well as everyone else associated with Decentraland for that matter. Had contributions of MANA to Decentraland in 2017 for the formation of districts been actually advertised as investments, and a detailed description of returns presented to “contributors”, that would have likely made these agreements “investment contracts”, and the District LAND would likely have been considered a “securities instrument” by the U.S. Securities and Exchange Commission (SEC), and probably other regulatory agencies around the world as well.

Luckily for us all, this did not occur. However, had it occurred in this way, Decentraland would probably be facing legal troubles right now, and the project as a whole would probably be in jeopardy. This is because securities offerings must be registered and approved by the SEC prior to the offering date. Even if Decentraland were to have had an unregistered security offering, at least in the United States, in order for a person or entity to have invested, they would have first needed to meet the criteria of an “accredited investor”, and Decentraland would have needed to have performed the requisite KYC checks prior to the offering. As we know, most contributors to districts did not meet the criteria of an “accredited investor”, nor were they required to participate in KYC checks before contributing.

2017 was a crazy year for the crypto space, many companies tried to capitalize on the booming market by quickly minting and selling tokens, in most cases junk tokens, for a quick cash grab. Many companies at that time, probably because they failed to consult with qualified legal counsel, erroneously believed they could successfully circumvent these investment offering requirements by claiming their tokens were not a security but instead digital property.

As we all know, all government agencies, including the SEC, are notorious for reacting very slowly, and regulations often lag far behind the rapidly changing technology sector.

Since 2017, the SEC has investigated many of the companies that had minted and sold tokens they felt met the criteria of a securities instrument, and most of these companies were so heavily fined that it devastated the projects to the point of closure. Ripple is perhaps the only company, at least the only one I know of, that has been investigated by the SEC and managed to survive. However, this is likely because the Ripple ICO raised over \$1.3 Billion, and therefore Ripple had the financial resources to pay for the very expensive legal fight they continue to have with the SEC, as well as subsequently weather the multi-year firestorm that included delisting from all U.S. exchanges, all of which had very devastating negative affection the Ripple token price, and kept many investors away.

In my prior district updates, I explained why the royalty idea I initially suggested to reward contributors for their early support was no longer viable. In short, a royalty payment is a payment made by one party to another that owns a particular asset, for the right to ongoing use of that asset. Because all Districts 100% own their respective district LAND, District X cannot legally pay royalties on assets that it owns, to other parties that have no legal ownership.

Another misconception is that the District X Initial Startup Plan (ISP) is somehow a legal and binding agreement; it is not. It is simply a visionary document intended to provide generalized guidance for district development, and as such contains very clear and upfront language stating just that, as well as language that permits district leadership to amend the details it contains to ensure the most favorable outcome for the district.

Because the District X Initial Startup Plan was written as a visionary document, it allows the District X leadership to use it as intended, as a guiding document, permitting District X the flexibility to navigate the many unknowns that lie ahead; allowing the ability to pursue ideas that work, while abandoning those that don't.

The royalty idea initially explored in the ISP is a prime example of an idea that did not work out, as such it has been abandoned, replaced with the new District X Contributor Benefits Program described below.

District X Contributor Benefits Program

After brainstorming many alternative ideas, I believe the following ideas best carry on the spirit of both of the originally proposed reward ideas contained in the ISP. I believe these ideas to be legal, sustainable, available to every contributor, and can be easily and quickly implemented for minimal cost.

Instead of asking contributors to choose just a single benefit reward, as was previously mentioned in the ISP, I have decided it best to offer every reward outlined below to every eligible contributor. Doing this allows District X to provide maximum rewards to every contributor that has helped and supported District X on its journey.

Initially the District X Contributor Benefits Program will consist of three reward programs, the District X Contributor Community Development Grant Program, District X Lease/Rental Services Discount Reward Program, and the Partner Reward Program. As the district grows, I intend to continue to explore ways to add additional benefits to this program. Eligibility for the benefits offered via the District X Contributor Benefits Program will be determined by wallets that contain one or more District X Contributor Reward Eligibility Tokens.

District X Contributor Reward Eligibility Token

The District X Contributor Reward Eligibility Token will be the method by which District X will determine those wallets that are eligible to participate in the District X Contributor Benefits Program.

Initially, all Ethereum addresses associated with contributions to District X (formally named "The Red Light District") in 2017, defined as any wallet which made a contribution of MANA to Decentraland in 2017 toward the formation of District X (formally named "The Red Light District"), will be airdropped (1) District X Contributor Reward Eligibility Token for every 1000

MANA they had contributed that resulted in (1) land being reserved by Decentraland for the formation of District X.

- District X Contributor Reward Eligibility tokens will be tradable as ERC-1155 NFTs.
- Only District X Contributor Reward Eligibility Token holders will be eligible to receive District X rewards.
- Only (1) token per land will be minted (2001 in total).
- District X Contributor Reward Eligibility Tokens will be airdropped on the Polygon(Matic) chain to minimize transaction costs.
- Barring any unanticipated technical delays, District X Contributor Reward Eligibility Tokens will be airdropped into eligible wallets sometime in Q2 of 2022.

Note: District X Contributor Reward Eligibility Tokens will be used as utility tokens only, and as such will have no monetary value. District X Contributor Reward Eligibility Tokens will be used simply as a means to identify wallets that District X deems eligible to receive any benefits District X offers via the District X Contributor Benefits Program.

While District X Contributor Reward Eligibility Tokens will be made tradable, only wallets containing one or more District X Contributor Reward Eligibility Tokens will be eligible for rewards offered via the District X Contributor Benefits Program, as such trading or transferring District X Contributor Reward Eligibility Tokens to other wallets will also result in the transfer of the District X Contributor Benefits Program eligibility status associated with the traded or transferred tokens.

District X Contributor Community Development Grant Program

The purpose and intent of the District X Contributor Community Development Grant Program is to thank our contributors for their support by providing them with in-world resources in the hopes they continue to support and stimulate the economies of both District X and Decentraland.

In years in which the District X operating company has net profits of at least \$250K derived from land rentals, leases, and service-related operations, the District X operating company intends to donate 10% of its net profits to the Contributor Community Development Grant Program.

The profits donated will be converted to Decentraland's native in-world currency token MANA, and this MANA will be deposited into the Contributor Community Development Grant Program smart contract developed specifically for this purpose.

A web-based dApp will be made available on the District X website. This dApp will allow wallets containing District X Contributor Reward Eligibility tokens to connect their wallet, via Metamask, and claim a share of donated MANA.

Each wallet that contains District X Contributor Reward Eligibility tokens will be eligible to claim 1/2001 (or 0.04997%) of the total MANA donated by District X to the Contributor Community Development Grant Program for every (1) District X Contributor Reward Eligibility token contained in the wallet.

The claim dApp will be made available on the District X website, www.DistrictX.io

Those making claims will be responsible to pay any transaction costs associated with making the claims. Polygon(Matic) chain will be used to minimize transaction costs.

The window to make a claim will be open for up to 12 months.

District X will provide adequate advanced notice, via the District communication channels, currently Discord, of at least 30 days, as to the end date for the claim window for each year.

Any MANA remaining unclaimed when the claim window closes will no longer be claimable. Instead it will be rolled over into the next year, and combined with any MANA donated by District X for the new year, and then this total amount will then be made equally claimable across all eligible District X Contributor Reward Eligibility token holders for the new claim year.

While District X will not be able to control how contributors choose to use the MANA they claim, I would strongly encourage all that choose to claim MANA via District X Contributor Community Development Grant Program to use it as intended, to support the ever-growing Decentraland ecosystem.

MANA donated by District X operating company to the District X Contributor Community Development Grant Program will occur only after taxes have been filed and net profits are known, typically this will occur in Q2 of each year, and only in years where District X operating company previous years net profits, derived from land rentals, leases, and service-related operation, were at least \$250k.

Having said that, if District X operating company net profits, derived from land rentals, leases, and service-related operations, are at least \$250k in 2022, then the first claim period for District X Contributor Community Development Grant Program will be in Q2 of 2023.

District X Lease/Rental Services Discount Reward Program

Effective Immediately after District X Contributor Reward Eligibility tokens Airdrop

All District X Contributor Reward Eligibility tokens holders, regardless of the number of tokens held, will be eligible to receive a 15% discount on all advertised or quoted leases, rentals, and development services that are offered by District X.

Partner Reward Program

As District X engages with various business partners and clients, I will be sure to inform them that District X indeed has an active community, and further encourage our partners and clients to consider the District X Contributor Reward Eligibility tokens holders first, should they ever offer any type of community rewards, incentives, or discounts. While I can't guarantee every partner or client will agree to do this, I do believe that many will absolutely realize the benefit in doing so.

Disclaimer

Please note, that any District X Contributor Reward Eligibility tokens or rewards that are distributed to our contributor community or to District X Contributor Reward Eligibility token holders via the District X Contributor Reward Program, are non-obligatory on the part of any of District X companies, as well as any participating business partners or clients of any District X company. By offering these rewards, District X companies, business partners, or clients are in no way engaging in any legal or binding agreements with any persons or entities that may be a recipient. While it is our intention to offer rewards to our contributor community and District X Contributor Reward Eligibility token holders community, doing so is simply a gesture of good will, and in no way constitutes an obligation on the part of District X companies, business partners, or clients to do so, either now or in the future.

District X companies reserve the right to alter, replace, or terminate any or all of the rewards at any time for any reason, including if any legal, regulatory, technical, or other such issues arise either presently, or in the future, that prevents or restricts how or to whom these rewards can be distributed.

Claiming rewards via the District X Contributor Reward Program are voluntary, and District X companies, business partners, or clients will not be held liable for any direct, indirect, incidental, special, consequential, or exemplary damages, howsoever caused under any theory of liability, including, without limitation, any loss of goodwill or business reputation, loss of data, cost of procurement of substitute goods or services, or any other tangible loss as a result of user interactions with the District X company website, or any other related technologies, including any and all issues related the blockchain to include but not limited to smart contact interactions.

This document is intended for informational purposes only, and District X companies reserve the right to amend the contents contained within at any time for any reason. This document does not constitute a contract, and nothing in this document shall be deemed to create in any way whatsoever any obligation on the part of any District X company.