AirToken: a token to power more inclusive financial services

Updated White Paper
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# Table of contents

Financial exclusion affects billions of people around the world 3  
Transformative financial services for emerging markets 4  
Financial services enabled by technology 5  
Product vision overview 8  
Phase one: The Foundation 10  
  Airfox’s mobile wallet 10  
  The AirToken web application 12  
  Expected use of AirTokens in phase one 14  
Phase two: Global lending platform 20  
  AirTokens as a bridge between currencies 20  
  AirToken value during phase two 21  
Phase Three: Digital Bank 26  
Phase Four: Airfox Global 29  
  Brazil first 29  
  Global expansion 29  
Planned roadmap 31  
Managing AirTokens 33  
  Airfox Internal AIR Ledger 33  
  The value of AirTokens 36  
Important notice 38
Financial exclusion affects billions of people around the world

Two billion people are still unbanked, and approximately another two billion are underbanked, meaning they supplement their bank account with alternative financial services and lack access to basic financial services, including:

- No free checking
- Not able to borrow money or able to borrow money at predatory rates
- Checking cashing services
- Money orders
- No savings accounts for emergency funds
- No time-saving tools for transferring money or paying utility bills
- No credit history

Yet, two-thirds of unbanked adults have mobile phones
Airfox is on a mission to provide the roughly four billion unbanked and financially underserved individuals in emerging markets mobile access to financial services. Airfox is a venture-backed, financial technology company based in Boston, Massachusetts. At its core, Airfox's mission to accelerate financial inclusion for the world's underbanked generally drives the philosophy behind its product and business decision-making.

Accessibility to basic financial services offer a host of benefits, and yet for billions of adults around the world, financial exclusion is still a stark reality. Airfox believes the cash-based, informal economy comes with an array of disadvantages, from financial insecurity and inability to efficiently build wealth, to susceptibility to predatory lending, robbery, inflation decay and other high-cost, informal financial products.

Airfox is seeking to develop a software technology platform starting with two applications:

**A stored value mobile wallet application** capable of leveraging machine learning capabilities to build alternative, smartphone-based credit risk models. This mobile application, currently available on Android, aims to eliminate the need for traditional financial institutions allowing the underbanked without bank accounts or credit cards to more easily and quickly make many everyday transactions using a smartphone. As the use of the Airfox mobile wallet application grows, Airfox aims to build a credit score for users, even if they lack traditional banking or credit history, by analyzing thousands of data points. This potentially positions Airfox, whether alone or through future
partnerships, to offer users access to credit, for things such as: investing in their business, education, emergency funds, hospital bills, refinancing existing loans, etc.

A web-based peer-to-peer lending application that uses cryptocurrency and blockchain technology to source a global pool for micro-financiers and investors who wish to extend:

- Interest-free microloans to micro-entrepreneurs who are building a better future for themselves and their families, or
- Interest-bearing loans to a diversified pool of loan recipients with varying degrees of risk vs. yield.

As the company grows and the use of the Airfox applications proliferate and scale, we plan to continue to work to develop a broader array of financial products built with blockchain technology to ensure little-to-no cost, near-instant settlement times, security and transparency with the ultimate goal of Airfox becoming a leading, decentralized digital financial company.

Financial services enabled by technology

Airfox believes that the structural issues and limitations pertaining to financial exclusion can be largely solved by recent advances in technology, from developments in mobile smartphones to affordable
data accessibility, mobile applications, digital payment infrastructure, big data analytics, and so forth. Airfox aims to use best-in-breed technologies to provide an array of financial services for the underbanked at a fraction of the costs of traditional providers. To start, Airfox plans to use three complementary core pillars of technology:

- Mobile
- Data science
- Blockchain and cryptocurrency (AirToken)

Mobile

The Airfox smartphone application is a stored value mobile wallet (the “Airfox app”) that is expected to serve as the gateway for underbanked users to utilize financial services provided by Airfox or third parties. Airfox aims to continuously optimize its existing and future applications, including the Airfox app, for low-priced smartphones owned by target users.
Data science

Through the Airfox app, Airfox expects to be able to gather data on in-app transactions. This data, when combined with alternative data sources from users’ smartphones, will enable Airfox to implement proprietary machine learning algorithms to analyze financial and behavioral trends, which will enable the company to produce a creditworthiness score.

Blockchain

Airfox has developed and released its own cryptocurrency, the AirToken (symbol: AIR) an ERC-20 token issued on the Ethereum blockchain. Airfox envisions the AirToken eventually serving as a bridge between currencies reducing transaction costs and settlement times while enhancing security, transparency, decentralization, and bypassing intermediaries. This potentially will allow Airfox to fund more microloans by sharing the risk with creditors via the blockchain.

“The emergence of fintech as business model disrupters offering innovative technology-based solutions present an unparalleled opportunity to drive down the costs of service and reach the poor or unserved customers.” — World Bank
Product vision overview

This white paper outlines the expected roadmap for how AirToken is planned to be used in the Airfox ecosystem as the user base increases. Each of the four phases (illustrated below) describes the expected progression to become a partially decentralized, interoperable global digital banking operating system for the underbanked that leverages blockchain technology.

1 Phase: The foundation

- Airfox mobile wallet
  - AirToken product integration (Referrals / Ads / Loyalty Points / Remittances)
  - Convert AirTokens from blockchain to fiat in mobile wallet

- Credit score algorithm
  - Data + Machine learning

- Alpha test Airfox wallet microloans (Airfox as lender and underwriter)
  - Optimize credit score algorithm

- Alpha test of traditional style microloans from third party lenders

2 Phase: Global lending platform

Peer-to-peer global lending for traditional style microloans and ‘double bottom-line’ and for AirToken expected to facilitate transactions.

3 Phase: Next-generation digital financial services company

- Expected launch of new AirToken-integrated financial products on the blockchain

- Digital transactions expected to be partially decentralized and secured by user (user holds their own keys and own funds on the AirToken blockchain)

4 Phase: Airfox global

Expected licensing and ‘franchising’ of technology to organizations, developers, fintechs, and other institutions across emerging markets globally
Airfox plans to utilize AirTokens in an array of products and features currently at various phases of development. The expected use of AirToken, subject to compliance with various regulatory frameworks, will be to facilitate the interoperability between currencies, institutions, payment providers, consumers, and merchants.

“Digital financial services offer incredible potential new opportunities, but also new challenges and threats. From industry disruption in online payments for goods and services to peer-to-peer lending, new technologies and new digital financial services providers are transforming every level of the financial services industry. This digital revolution is fundamentally reshaping microfinance and traditional financial value chains, but a lot still needs to be done to ensure scaling up of services, while delivering both convenience and security, fighting fraud, and guaranteeing sufficient consumer protection.” World Bank
Phase 1: The Foundation

Airfox’s mobile wallet

The Airfox app currently provides the cash-based, underbanked population a digital wallet, which they can currently use for transactions such as utility bill payments, money transfers between users, purchases using boletos, topping up prepaid mobile accounts around the world, requesting money from others via QR code for goods/services rendered, and paying for public transit in the São Paulo region. Airfox hopes to enhance the functionality of the wallet, allowing users to choose between a broader array of services.
Airfox expects to integrate the AirToken within its existing Airfox app, allowing users to receive rewards paid in AirTokens for viewing video advertisements. The Airfox team is working to enhance the functionality of the Airfox system so that users of the Airfox app one day may get rewards for referring prospective users, international remittances, and loyalty or engagement bonuses.
Expected UI for AirToken rewards in the app
The AirToken web application

The AirToken web app is expected to enable Ethereum wallet and AirToken holders to:

- Use AirTokens to top-up prepaid mobile phones on 500+ wireless carriers
- Send AirTokens as remittances from an Ethereum wallet to users of the Airfox app or another Ethereum wallet
- Withdraw AirTokens from the Airfox app and send them to an Ethereum wallet

As the platform scales, we expect lenders will be able to microfinance loans to users of the Airfox app (subject to applicable anti-money laundering and other relevant regulations) through the AirToken web app.
Expected use of AirTokens in phase one

Airfox aims to integrate the usage of cryptocurrency and blockchain technology into everyday consumer and financial products. Within the Airfox application, we aim to integrate the AirToken into the following features:

1. Earning rewards from advertising, referrals, and loyalty

2. Using AirTokens for remittances (such as obtain mobile top-up, digital goods/services, and all other purchase/payment options available in the Airfox app)

3. Traditional microloans (Alpha)

Earning AirTokens from advertising, referrals, engagement, and loyalty

Advertising

Airfox plans for users to be able to earn AirTokens by opting in to viewing video ads within the mobile app. Additional or alternative methods for earning rewards are expected to be added and could include surveys or coupon redemptions.

Referrals

In the future, Airfox anticipates that users will be able to refer their friends and family to the Airfox wallet application and earn AirTokens for doing so.

Engagement and loyalty

Like Kin by Kick and Enji Coin, Airfox may use AirTokens to incentivize the use of features in the Airfox app.
Using AirTokens for remittances

Remittances

We expect users with AirToken balance in an Ethereum account to have the ability to send AirTokens to another user's account within the AirToken web app (available at dapp.airtoken.com) on the Airfox Internal AIR Ledger (see the “Managing AirTokens - Airfox Internal AIR Ledger” section below). Alternatively, as an ERC-20 token, the AirToken can be transferred between two Ethereum compatible wallets outside of the AirToken web app. With future enhancements to the Airfox app, we expect to develop a method (either a proprietary solution or through partnerships with third parties) to facilitate remittances.

Traditional microloans alpha

Airfox anticipates that the first iteration of the lending application will facilitate the funding of traditional microloans to borrowers.

Traditional microloans for borrowers

Like Kiva or gofundme.com, in the future, users of the Airfox app will be able to create profiles with photos and/or videos along with their story that highlights their need or opportunity. To verify their commitment to paying back the loan, the user will be expected to make some form of a “down payment” in AirTokens or fiat.

Inspired by the Grameen Bank, Airfox plans to give the borrower the option to get their friend and/or family to “sponsor” their loan request by depositing a similar amount in AirTokens or fiat. The more “sponsors” the user gets for their loan application, the higher it will rank in the listings. Once the still-to-be-determined maximum number of “sponsors” is reached, the borrower may be eligible to get their initial “down payment” refunded upon paying back their loan. To encourage people to sponsors borrowers, sponsors can expect to get a portion of the loan repayment each month.
Expected UI for traditional microloans application for lenders

Borrowers and sponsors may be able to use the AirTokens earned through the Airfox app or potentially convert their fiat balance into AirTokens within the Airfox app to take part in this service. To make this process as easy as possible for users in emerging markets, it is anticipated that borrowers and sponsors will not be required to buy AirTokens from a third-party exchange. Instead, and if permissible under applicable regulations (which are still being evaluated by Airfox), the company currently plans to facilitate this process. For more information on how this is expected to work, see “Managing AirTokens - Airfox Internal AIR Ledger” below.
Traditional microloans for lenders

Eventually, lenders can expect to create an Airfox lending account, so they can see borrowers’ requests and fund these requests entirely or in part. To start, Airfox expects to use AirTokens to move capital to fund these microloans, while seeking to continuously develop the AirToken web app and Airfox app to enable fiat and AirToken transactions.

Example traditional microloan funding sources (borrowers, one sponsor, and two lenders)

Airfox expects borrowers to eventually be able to pay back their loan in fiat or AirTokens. If paid back in fiat, the system will update the Internal AIR ledger and convert the fiat to AirTokens and distribute to lenders and sponsors on a pro-rata basis. If paid back in AirTokens, the distribution to lenders and sponsors can be expected to happen without this unnecessary conversion.

Airfox plans to split each repayment from the borrower among the sponsors and lenders according to the percentage each contributed. The plan is to split the borrower’s portion (from the “down-payment”) pro-rata between the lender(s) and sponsor(s).
Potential Example: a 150 BRL loan repaid in three installments of 50 BRL monthly would provide the contributors the following AirToken equivalent:

<table>
<thead>
<tr>
<th>Participant</th>
<th>Initial Funds</th>
<th>Total Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender A</td>
<td>90.00</td>
<td>96.00</td>
</tr>
<tr>
<td>Lender B</td>
<td>45.00</td>
<td>48.00</td>
</tr>
<tr>
<td>Sponsor A</td>
<td>5.00</td>
<td>5.33</td>
</tr>
<tr>
<td>Borrower</td>
<td>10</td>
<td>0</td>
</tr>
</tbody>
</table>

Potential bonus for engagement with the lending platform as an alpha lender. Airfox plans to reward token holders who engage in the alpha lending platform. While Airfox will not guarantee a return or repayment on these loans, Airfox expects to provide participants lending with:

- A bonus system that credits the lender back a percent of the amount they lost on a loan based on the length of the time the lender has held AirTokens; and

- When a lender receives interest on its loan or when a loan is paid back, the lender would receive a bonus based on the length of the time the lender has held AirTokens.
Importantly, any potential bonus program is still being evaluated by Airfox and may not be implemented at any time in the future for regulatory or other reasons.

*Airfox is providing no guarantee or assurance of any kind that any bonus or other amount will ever be payable to holders of AirTokens at any point in the future.*
Phase two: Global lending platform

Throughout phases one and two, Airfox intends to collect transactional data to build and improve a credit-scoring algorithm that, when combined with data from the smartphone like GPS history, is expected to be able to perform identity verification and generate personalized credit scores—regardless of whether the individual has a formal credit history. With verified identity and transactional data, Airfox expects to offer microcredit to users at better rates than what is easily available to the underbanked in emerging markets.

As the Airfox app user base grows, Airfox intends to evolve the AirToken web application into a fully featured, blockchain-based, peer-to-peer lending application that will enable anyone from around the world to provide capital for a microloan to a diversified cohort of borrowers. Airfox’s technology is expected to harness the decentralized power of the Ethereum blockchain to create a digital ledger of the user’s behavioral and transactional data to fund a new financial asset class from a global pool of lenders seeking to make socially impactful microloans or diversified, “double bottom-line”, high-yield returns.

AirTokens as a bridge between currencies

Airfox intends the AirToken to be a critical aspect within our developing peer-to-peer lending platform as it is expected to reduce transfer costs, provide faster settlement times, and to ultimately enable the ability to acquire capital for the disbursements of loans at scale. The Airfox lending platform is expected to allow lenders from around the world to send and provide capital to fund loans to qualified borrowers in emerging markets.

AirTokens could potentially enable the lending platform to do so in a virtually cost-free, near-instant fashion. Airfox intends to eventually make the lending platform more accessible to retail investors by facilitating the conversion to AirTokens, if permitted under applicable regulations.
The peer-to-peer lending mechanisms

**Traditional Microloans**

1. Lender
2. Fiat
3. AirToken
4. Lending application
5. Borrower's mobile wallet
6. BRL
7. Borrower

**“Double bottom-line” model**

1. Lender
2. Fiat
3. AirToken
4. Lender's dApp
5. Borrower's wallet / dApp
6. BRL
7. Cohort of Borrowers

**Yield**: Airfox anticipates providing a yield return, which will vary based on the credit risk class of the selected cohort of borrowers.
AirToken value during phase two

During phase two, Airfox expects to provide people who engage with the lending platform the opportunity to earn returns on their loans in two possible ways depending on the level of engagement with cryptocurrencies the lender desires:

- **Loan interest** Airfox plans for this to be the simplest way for someone to engage with the lending platform. Interested lenders would be able to invest capital towards loans using fiat or whatever other currency they choose. Airfox intends to then handle the purchasing and selling of AirToken on their behalf, if needed.

- **Annual bonus** Airfox intends to give an annual bonus to AirToken holders who are active lenders (more on this later).

Airfox anticipates that lenders who only engage with the lending application in fiat will not be eligible to earn the annual bonus. Eventually, Airfox expects to be able to offer fiat-only lenders the option to acquire AirTokens within the lending application, thereby allowing them to access potential bonuses that may be available to AirToken holder.
Earning loan interest

Airfox expects to let lenders choose to provide the capital for loans based on investment instruments organized by:

- Borrower’s risk profile (low, medium, or high risk of default)
- Characteristics (which could be country, purpose of loan, etc.)
- Duration (three-, six-, nine-, or twelve-month loans).

Since Airfox plans to build cohorts of multiple borrowers, who would be making monthly individual payments, in the future, Airfox expects to be able to bundle together all their payments and payouts to distribute to lenders on pro-rata basis.

Anticipated AirToken lending application UI
As time progresses, Airfox plans to facilitate the AirToken exchange process for lenders and borrowers abstracting away most technical details. Airfox believes this will allow for institutional, enterprise, and mass adoption. The backend of our systems should enable the platform to convert lender’s fiat currency into AirToken and immediately transfer it to the borrower’s Airfox wallet, wherein it would be immediately converted into local fiat currency within their wallet balance. The borrower would then be able to access the capital as needed. To facilitate, Airfox intends to comply with local and global regulations.

When it’s time for their first repayment installment, the borrower will be able to deposit cash at a local store or ATM directly into their Airfox wallet and repay the loan from the Airfox app. Eventually, the borrower’s wallet will be integrated with the platform and immediately purchase AirTokens to transfer back into the lender’s account. Airfox expects the value will be immediately available for withdrawal in AirToken or transfer into their bank account in fiat.
Airfox ultimately aims to share with AirToken holders 20% of the profits generated by the company from its peer-to-peer lending platform, which remains in development. Airfox plans to pay AirToken holders on a pro-rata basis, which would be based on the total “AIR Hours” each holder accumulates throughout the fiscal year by holding their tokens in their AirToken crypto wallet. An AIR hour is likely to be calculated based on the total AirTokens held for each hour by a particular AirToken holder, and out of the “Total Overall AIR Hours” (i.e., the total AirTokens outstanding multiplied by total hours in a given year), be given right to bonus proceeds on a pro-rata basis.

To illustrate with an example of how this bonus program may operate: assume there are 1 billion total AirTokens outstanding in a given year and assume no additional AirTokens are put into circulation during such year. Assume there are ~8,760 hours in a year, so the “Total Overall AIR Hours” is equal to roughly 8.76 trillion AIR Hours. Now, assume that a given AirToken holder has 200,000 AirTokens (outside of their lending activities) for 6 months, they have thus accumulated 432 million AIR Hours (calculated as 200,000 AIR * 24 hours * 30 days * 6 months). Assume 20% of the total profits is equal to $50 million, so this AirToken holder will be eligible to earn approximately $4,931 in bonus payments ($50 million * 432 million divided by 8.76 trillion).

To put simply, Airfox plans to determine an AirToken holder’s pro-rata share of the bonus pool by taking the total amount of AirTokens held
by that individual, in addition to the total duration that the individual held those respective AirTokens.

**Bonus payment Pro-Rata Payout Formula**

\[
\text{Bonus payment Pro-Rata share for an individual} = \left( \frac{\text{Total AIR Hours}}{\text{Total Overall AIR hours}} \right) \times \left( 20\% \times \frac{\text{Total profits from P2P lending portfolio during fiscal year}}{\text{Total}} \right)
\]

*Assumes the individual has met the lending criteria to become eligible to receive the bonus payment.

To be eligible to receive a potential bonus, the AirToken holder likely meets certain criteria, which may include:

- Have an Ethereum wallet with AirTokens registered with the lending application;
- Funded two loan portfolios with at least $50 USD each; and
- Hold at least 10,000 AirTokens for at least three months in the registered wallet.

The formula above includes the held AirTokens on the registered wallet and all AirTokens that were spent to engage in lending.

Airfox currently plans to pay the bonus to AirToken holders on an annual basis at the end of each fiscal year.

*Airfox is providing no guarantee or assurance of any kind that any bonus or other amount will ever be payable to holders of AirTokens at any point in the future.*
Phase three: Digital bank

Airfox plans on creating a digital credit identity and history for users and seeks to eventually leverage this information to provide ways for the financially underserved to build wealth. Once this is done, Airfox plans to add a variety of banking services, including savings accounts, checking accounts, payroll direct deposits, prepaid debit cards, and credit cards, along with international and domestic money transfers/wires.

Airfox plans to create more opportunities to build wealth only accessible through the Airfox platform, such as:

- **Asset-backed securitized tokens**
  - Equity
  - Debt
  - Real estate, etc.

- **Investment opportunities**
  - Diversified Stock portfolios
  - Retirement savings
  - College savings

- **Loans**
  - Mortgages
  - Auto
  - Personal
  - Business

- **Other diversified financial products**

As Airfox plans these new features, we expect to incorporate AirTokens, when applicable and allowed by regulations.

In addition to creating wealth, Airfox hopes to eliminate factors that decrease wealth by combating financial illiteracy through education, positive incentives, social capital, and personal finance management.

The idea behind the Airfox platform is that it could be used by financial institutions, commercial providers, and developers to simplify and reduce the cost of developing inclusive payment platforms by using a partially decentralized secure digital banking system. Airfox aims to open source much of its decentralized blockchain infrastructure so
other companies, individuals, and developers can further build our vision in other emerging markets.

We contend that interoperability, security, and cost of financial payments and transactions has been the largest hurdle for the financial services industry to overcome. Just as the internet revolutionized many industries and mobile accelerated services like PayPal. Airfox believes decentralized governance and a Blockchain “Bank” powered by the AirToken or other digital assets will spark innovation and democratize access to banking, payments, and lending empowering billions of new customers and facilitating economic growth in developing markets. If we are successful not only will Airfox add to the decentralized open-source “operating system” of interoperability but the idea is to have a self-service platform for both developers, customers, fintechs, banks merchants and anyone from the value chain to participate into the system.

The disintermediation of financial services

Airfox plans to position itself in the value chain as a disintermediator, directly connecting the user with the retailer.

<table>
<thead>
<tr>
<th>Retailers / Merchants</th>
<th>Anti-fraudadores</th>
<th>Acquirers</th>
<th>Flags</th>
<th>Issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon Apple Pay</td>
<td>clearsale</td>
<td>cielo</td>
<td>VISA</td>
<td>Santander</td>
</tr>
<tr>
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<td>getnet</td>
<td>rede</td>
<td>elo</td>
<td>Bankinter</td>
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<tr>
<td>Uber</td>
<td>stone</td>
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</tbody>
</table>

Accept and receive payments
Ensure transaction safety
Manage transaction information
Connect shopkeepers with emitters
Manage the user accounts
Phase four: Airfox global

Brazil first

Brazil has a blend of characteristics which we believe makes it an ideal market for Airfox to launch first. Out of nearly 210 million individuals, approximately two-thirds of the country's population is primarily un(der)banked and operate in a cash-based economy. Additionally, the traditional banking system has a wide variety of fees associated with its products and services, in addition to astronomical interest rates for various credit/loan products, often reaching interest rates above 400% APR. Nevertheless, smartphone adoption rates are exceedingly high, up to roughly 88% for Class C (lower-middle income class; the bulk of the population), according to the World Back. This appears to create an ideal environment for Airfox to offer its potentially disruptive solutions.
Global expansion

Once the Airfox platform is fully developed, we expect to offer this platform to other organizations and institutions in other emerging markets. We may decide to license portions of our proprietary software up as an open-source platform—whichever we believe will enable us to sustainably accelerate financial inclusion on a global scale. We expect this to enable us to increase the volume of transactions and reduce financial exclusion, with the help, knowledge, and insight of local institutions who will be able to leverage our technology for the benefit of their country’s unbanked population. Airfox plans for the AirToken to be an integral part of this global platform, enabling our partners to reduce transaction costs and increase settlement times while ensuring security, transparency, and decentralization.
# Planned roadmap

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Anticipated Time Frame</th>
<th>Airfox Product (Airfox company)</th>
<th>Airfox Token Product</th>
<th>Objective</th>
<th>Expected AirToken Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-18 months</td>
<td>Airfox mobile wallet (Android + iOS)</td>
<td>Drive adoption by providing critical financial services to Brazil’s unbanked and underbanked populations (transfer money, purchase digital goods and services, purchase physical locations, public transit, mobile top-up, pay utility bills, microloans).</td>
<td>Loyalty Points, Rewards, Alt Currency, and Airtime Remittances</td>
<td>Utility proof of concept phase: Airfox users are exposed to the AirToken as reward, like airline miles.</td>
<td>AirTokens to be utilized to incentivize user acquisition, loyalty, and remittances.</td>
</tr>
<tr>
<td>6-8 months</td>
<td>Airfox microloans</td>
<td>Planned internal development of credit scores from transaction and first-party data in combination with alternative data sources and machine learning algorithms; launching a loan product, funded by Airfox’s balance sheet, to optimize the loan portfolio’s return on equity (“ROE”) and credit scoring accuracy.</td>
<td>Launch Alpha test interest-free, traditional microloans to Airfox app users funded by third-party lenders.</td>
<td>Proof of concept phase: Airfox expects traditional microloans to connect lenders to microentrepreneur, while also enabling our machine learning models to further optimize credit risk accuracy by driving more data volume toward the algorithms and more loan volume to analyze portfolio repayment performance.</td>
<td>Airfox plans to use AirToken reserve and third-party AirToken lenders to conduct the transfer of capital from one party to another.</td>
</tr>
<tr>
<td>6-12 months</td>
<td>Launch Airfox’s Peer-to-peer lending platform.</td>
<td>Launch and drive adoption of peer-to-peer, blockchain-based financial products and services. Provide global lenders access to two loan types: yield-generating and non-yield-generating loans. All loan instruments will show borrowers credit risk scores, generated by Airfox. Yield-generating loans will be made to a cohort of lenders to diversify risk, and may be given a guaranteed rate of return (excluding principal) by Airfox. Non-yield-generating loans will be made toward an individual microentrepreneur, with a profile and high-level business plan, in similar fashion to Kiva loans.</td>
<td>AirToken will be used to facilitate the transfer of value from lenders to borrowers, and vice versa, in order to reduce costs and accelerate settlement times. Through the AirToken lending platform, lenders will be able to transfer money or crypto into their account to fund a loan, and the platform will automatically convert fiat into AirTokens, and send it into the borrower(s)’ wallet, which will be converted back into local fiat, and vice versa for borrower repayments of the loan.</td>
<td>Rapidly drive data collection on credit worthiness and repayments for microloans to enhance machine learning-based risk analysis while also driving AirToken utility. Offer new, high-yield asset classes to global investors to fund Airfox microloans through the blockchain with machine learning generated credit scores, enabling the unbanked access to a global pool of capital to build wealth.</td>
<td></td>
</tr>
</tbody>
</table>

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31
A note on timelines in the roadmap: The development time shows how long each part of the roadmap is expected to require. Airfox intends to get as much development work done as quickly as possible and is planning on working on aspects of each phase concurrently. For more information on current projects, visit the AirToken by Airfox Telegram chat channel at https://t.me/OfficialAirToken.
Managing AirTokens

Airfox Internal AIR Ledger

To prevent excessive micro-transactions from overloading the mainnet Ethereum blockchain, Airfox currently maintains an internal ledger of how many AirTokens each user owns, their fiat account balance, and their transaction history. At first, the internal ledger will be a traditional relational database that records AirToken balance and fiat balance transactions for each user of the mobile wallet application. All transactions in the Airfox app and between the Airfox app and the AirToken web app will be recorded in this internal ledger.

AirTokens earned by users are immediately assigned to the user’s Internal AIR Ledger, which reduces the number of unassigned AirTokens in the reserve. Airfox currently plans to replenish the reserve by purchasing AirTokens on a quarterly basis from the market.

Eventually, Airfox plans to transition this internal ledger onto an internal blockchain that is fully auditable. This will potentially be the Raiden Network off-chain technology, Hyperledger from the Linux Foundation, or another internal blockchain technology. Airfox cannot currently anticipate when such transfer will take place as the company believes that such technology needs to mature and be “battle-tested” prior to its adoption by Airfox.

Send AirTokens in an Ethereum wallet to a user's account using the Airfox Internal AIR Ledger

The AirToken Smart Contract contains a function that transfers AirTokens from an Ethereum wallet to the Airfox Reserve Ethereum account. The function includes an additional piece of data, which is the
phone number (Mobile Directory Number, or “MDN”) of the Airfox user the AirToken should be transferred to. The Airfox Internal AIR Ledger is then updated to reflect the additional AirTokens held by this user. If no user with that MDN exists in the Airfox system, the AirTokens are held until a user with that MDN is added to the system. As the Airfox Internal AIR Ledger technology is subject to change depending upon the evolution and success of internal blockchain technology, the exact mechanism of this process could change as well.

**Send AirTokens in the Airfox Internal AIR ledger to and Ethereum wallet**

Airfox plans to allow anyone with AirTokens in the Airfox app to be able to send it to an Ethereum wallet. However, due to emerging governmental regulations, tokens transferred from the mobile wallet application to an Ethereum wallet may not be readily transferable and may be subject to a minimum six-month holding period.

**AirToken web application set-up instructions**

The AirToken web app is available at https://dapp.airtoken.com.

**Step 1: Install MetaMask**

MetaMask is available from http://metamask.io.
**Step 2: Register**

To use the AirToken web app, Airfox currently requires users to register with a Google, Facebook, or email account and confirm your mobile number for regulatory compliance.

**Step 3: Send AirTokens and Ether to a MetaMask wallet**

The AirToken and Ether balance of your MetaMask wallet is displayed after logging in.

If your AirTokens and Ether are in a different wallet than MetaMask, there are two options:

1. Send AirTokens and Ether to the generated MetaMask wallet
2. Import an existing Ethereum wallet into MetaMask by a private key

It is safer to transfer just the amount you want to use into MetaMask, as it prevents your main wallet's private key from being pasted in plain text.
Step 4: Set gas price and amount AIR Approved transfer amount

The ERC20 token standard requires the user to set a max number of tokens the smart contract can withdraw.

Go to Settings in the sidebar to set the gas price in Wei (2 Gwei = 2000000000 Wei) and the amount of “AIR Approved”.

The value of AirTokens

The value of AirTokens, and thus how many AirTokens are used when exchanged for fiat in the Airfox Internal AIR Ledger, is expected to change dynamically based on the future market value of AirTokens.

To prevent rapid changes in AirTokens market value from swinging prices and enabling users to time AirToken transactions to maximize value, the exchange rate within the Internal AIR Ledger will be calculated based on the market price. Airfox expects this will smooth out fluctuations in the market.

Airfox currently maintains an internal reserve of AirTokens, beginning with the AirTokens unsold from the Initial Coin Offering and continuing with regular purchases from the market.
Airfox may also create a programmatic fiscal policy to expand or contract the amount of AirTokens in circulation including creating inflationary or deflationary levers to adjust the total amount of tokens. We believe that for Airfox and the platform to be successful, the number of AirTokens need to adjusted based on supply and demand. Airfox may also establish fiat reserves in BRL or any other local currency to buy and sell AirTokens from the market.

In summary, Airfox plans to allow the market value to determine the exchange rate. Airfox does not intend to artificially prop up the value of AirTokens. If permissible under applicable regulations, Airfox plans to stabilize internal product pricing to prevent rapid AirToken market price changes from affecting users, but not in any significant way that alters the market.
Important notice

Holders of AirTokens have no role in the management of Airfox or any other voting or other rights commonly associated with an equity interest. AirToken holders have no right to receive dividends or any other distribution from Airfox or any other person, and any discussion of any potential future bonuses described in this white paper do not confer any such rights. AirTokens afford their holders no redemption rights, and Airfox has no obligation to repurchase any AirTokens or otherwise reduce the number of AirTokens in circulation. Any discussion of any potential acquisition or transaction in AirTokens by Airfox contained in this white paper is a “forward-looking statement.”