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 COVALENT

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COVALENT
NETWORK

INTRO

Covalent Network operates modular data infrastructure solving Long-Term Data Availability for today's onchain economy via the Ethereum Wayback Machine, it also verifiably augments AI. In essence, the Ethereum Wayback Machine shards historical onchain data to make it available in a verifiable and decentralized way. This versatile DePIN network is self-sufficient and excels in providing structuring data serving communities from over +225 blockchains.

The GoldRush API, a product built to use the Covalent pipeline, efficiently handles onchain data transfer and serves historical data to the B2B2C sector—offering access to billions of Web3 data points for more than 3000 paid API customers and crypto enterprises. Notable supply-side chains include Linea, Base, Optimism, Arbitrum, Taiko, and others. Moreover, demand-side clients include CoinLedger, Rainbow, CoinGecko and Wormhole.

Developers and analysts rely on Covalent when building multi-chain applications such as crypto wallets, NFT galleries, and more. With a robust community of more than 60,000 developers, Covalent powers data for over 5,000 applications.

With 7 years of experience in providing data infrastructure with a multi-chain approach, Covalent Network has established itself as a reliable data provider for AI. From Q1 2024, they started shipping the Ethereum Wayback Machine the only Long-Term Data Availability implementation.

This solution is more relevant today than ever and can help eliminate the biased AI gap with verifiable data and the overall segmentation of infrastructure solutions while providing a convenient development environment for the next dozens or even hundreds of unicorns.

Let's see how it works!

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KEY TAKEAWAYS

In 2023, Covalent generated \$600,000 in revenue from its demand-side structured data revenue, marking the first year of its formal business operations.

In Q3 2023, the Covalent Network, in partnership with [Infura](#), Microsoft, Tencent Cloud, Chainstack, and others, announced a collaboration of the pioneering internet infrastructure companies to create the [Decentralized Infrastructure Network \(DIN\)](#).

Covalent Network acquired 300M active wallets and more than 150 paying clients, mainly from various CeFi institutions and Web3 projects.

Covalent announced plans to migrate the ProofChain contract from Moonbeam to a specialized chain built with the Cosmos SDK named EWM-ProofChain and have already migrated the staking contract from Moonbeam to Ethereum.

For the year 2024, Covalent sets a bold target of doubling its revenue.

Block Specimen Producers Operators need to stake between 175K - 350K CXT to help secure the network and earn CXT rewards.

The Covalent Network has decided to raise the maximum CXT delegation limit by increasing the multiplier from 27X to 34X.

In just one week after the staking max multiplier change, 98.5% of the delegation room has already been filled, showing increased community involvement.

Delegators and CXT holders can all take part in governance. They can earn ~10-14% APY without direct data and infrastructure operations.

First buybacks have managed to acquire over \$100,000 worth of CXT from the open market in Q1 2024.

Looking forward, business earnings are expected to rise steadily. This growth is anticipated to enable Covalent to achieve a milestone of \$180,000 worth of CXT through its token buyback program by the end of Q2 2024.

Block Specimen Producers integrate with blockchain clients like Geth and Erigon to consume blocks and generate Block Specimens.

Specimens and their proofs are submitted to the ProofChain for validation and rewards.

Block Result Producers went live in Q3 2023, validating Block Results and earning CXT rewards.

Both Block Specimen Producers and Block Result Producers processes emit detailed log events for blockchain crawling.

EIP-4844 (Proto-Danksharding) and EIP-4444 (state expiry) shift the responsibility of historical data outside the Ethereum core protocol.

EWM ensures long-term data accessibility and scalability.

EWM uses IPFS for decentralized storage and BFT Tendermint consensus (EWM-ProofChain) for proof transactions.

Covalent plans to expand support to more chains and decentralize various components.

Covalent provides an API for historical and real-time data across 200+ chains, with products like GoldRush Kit for custom blockchain explorers all bundled under [GoldRush.dev](https://goldrush.dev).



02

ACHIEVEMENTS AND PLANS

In 2017

Covalent was initiated as a hackathon project with the goal of building an data structuring engine for deep metrics from blockchains.

In Q4 2023

Covalent deployed a series of useful updates to GoldRush, including DEX components and a component for displaying transaction receipts.

In October 2020

Covalent only supported Ethereum.

In April 2021

Covalent launched its mainnet and successfully closed the Public Round on CoinList.

By October 2022

Covalent expanded its support to over 25 blockchain mainnets (now it's more than 225 blockchains) and became the first blockchain data provider to structure app chains.

In Q3 2023

the Covalent Network, in partnership with [Infura](#), Microsoft, Tencent Cloud, Chainstack, and others, announced a collaboration of the pioneering internet infrastructure companies to create the [Decentralized Infrastructure Network](#) (DIN).

In Q4 2023

Covalent launched the GoldRush Kit, a new core product that contains a set of React components for application UIs.

In Q1 2024

Covalent hit 300M active wallets utilizing their data and integrated multiple new blockchains, including MELD, Katla (Taiko testnet), Movement, Gnosis Chain, Celo, Cronos zkEVM (testnet), and Blast.

- It also integrated Covalent Client SDK with WEVM, enabling developers to access structured cross-chain wallet activities and identify blockchain networks associated with certain addresses.
- Covalent integrated with Viem, giving Ethereum developers access to the API through a Viem-compatible SDK.
- The new GoldRush Decoder product was announced. It's a data visualization tool that can be combined with the GoldRush Kit.
- Covalent announced plans to migrate the ProofChain contract from Moonbeam to a specialized chain built with the Cosmos SDK and the staking contract from Moonbeam to Ethereum.
- In May 2024, [Covalent](#) launched seven powerful add-ons (Unified API, SDKs, GoldRush Kit) on the [QuickNode Marketplace](#).

The next step is

CXT liquid staking and a new light client Operator's role in the network.

03

COVALENT NETWORK STATS

Micah Casella, State of Covalent Q1 2024: Covalent Financial Metrics

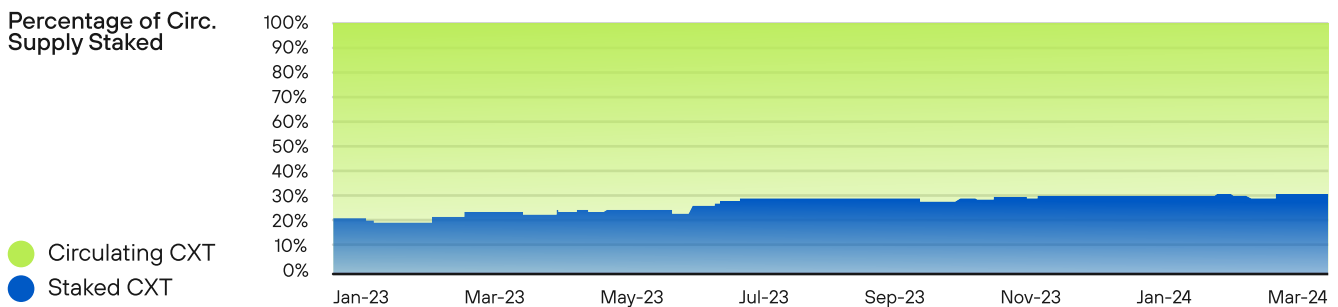
Metric	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	
Financial	Circulating Market Cap (USD)	\$82.8M	\$72.2M (12.9%)	\$60.3M (16.5%)	\$154.8M 156.7%	\$196.8M 28.3%
	Revenue (CXT Buybacks)	-	-	-	-	\$63.0K
	Rewards for Operators	\$169.7K	\$213.3K 25.1%	\$121.3K (42.9%)	\$398.9K 228.9%	\$540.3K 35.5%
	CXT Price (USD)	\$0.16	\$0.12 (24.0%)	\$0.10 (16.7%)	\$0.25 150.3%	\$0.31 26.5%
	Annualized Inflation	7.7%	7.8% 0.7%	2.2% (72.2%)	3.5% 63.9%	2.9% (18.3%)
Network	Block Specimens Produced	214.8K	218.1K 1.5%	233.8K 7.2%	244.0K 4.4%	240.3K 1.5%
	Block Specimen Producers	12	12 0.0%	14 16.7%	14 0.0%	14 0.0%
	Total Staked (USD)	\$18.1M	\$19.1M 5.8%	\$15.8M 17.5%	\$44.4M 181.5%	\$57.7M 30.1%
	Percentage of Circ. Supply Staked	21.8%	26.5% 4.7%	26.1% (0.3%)	28.7% 2.5%	29.1% 0.4%

The Graph, another significant player in this field, has reported an annualized revenue exceeding \$100,000 in the last quarter. Covalent generates significantly more revenue. However, since its earnings were not recorded on-chain yet, some retail investors may not have completely understood this aspect with the official \$0 starting point in January 2023.

For now, Covalent continues to make significant strides in the blockchain data industry and has recently achieved an impressive milestone. A total of 300 million active wallets are now utilizing its comprehensive data services.

This represents a significant increase from the 280 million wallets reported at the end of March 2024. It isn't just a number. It demonstrates the growing acceptance and reliance on Covalent's data services. The community-run network expertly processes raw blockchain data. It extracts, transforms, and enriches this data, making it an invaluable resource for Web3 entities.

Micah Casella, State of Covalent Q1 2024: Circulating CXT vs Staked CXT



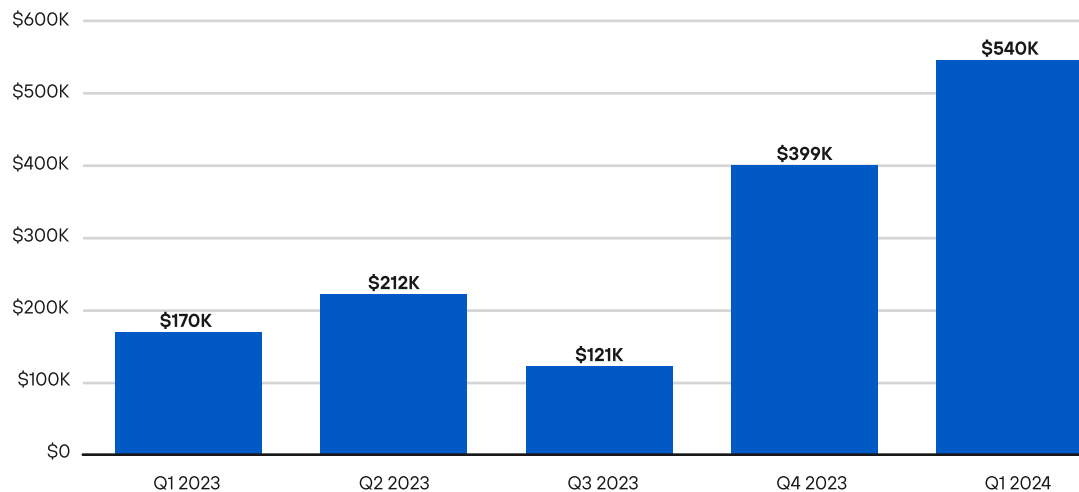
The percentage of CXT staked increased from 22% in the first quarter of 2023 to 29% in the same period in 2024. This occurred despite a 20% growth in the quantity of available CXT tokens. The increase in staked CXT can be partly attributed to an increase in active delegators by 9% compared to the preceding year.

As of the end of May, 21.66% of the circulating supply was staked with even more delegators' liquidity despite continuing CXT distribution. These indicators effectively represent the stability of the Covalent Network's tokenomics. They also reflect the success of updates that balance the distribution of existing tokens, thereby enhancing profitability and token value metrics.

The most recent updates, accepted in the first quarter of 2024, revolve around the expansion of the potential number of Operators and delegators. This strategic move logically influences the growth of the number of staked CXT.

The amount of CXT tokens staked, which had gone back to 21.66%, might start to grow soon, expanding opportunities for staking for Operators and delegators. As the network continues to grow, we might see up to 40% of CXT tokens staked by the end of 2024. This will make the network even more secure and reflect the long-term CXT value.

Micah Casella, State of Covalent Q1 2024: CXT Rewards



Currently, users purchase data using stablecoins. These stablecoins are then employed in a secondary market, like Sushiswap, for CXT buybacks. Then, CXT is subsequently distributed as a reward. This entire process is transparent and can be verified by anyone.

In the first quarter 2024, Covalent Operators managed to secure \$540,000, reflecting a 35% increase from the preceding quarter. This substantial growth in earnings can be attributed to a significant 68% spike in the average price throughout this period.

It's important to note that Operators' earnings are expressed in CXT. Hence, the price of the token directly influences their income. Therefore, given the overall positive market outlook and implementation of buybacks, Long-Term Data Availability services (via the EWM), Q2 2024 may yield even better results, up to \$1M, which can directly reflect the achievements.

Key points

In 2023, Covalent generated \$600,000 in revenue from its data structuring, marking the first year of its formal business operations.

Covalent Network acquired 300M active wallets and more than 150 paying clients, mainly from various CeFi institutions and Web3 projects.

Covalent has set an ambitious goal of doubling its revenue by 2024 and is beginning to implement new features to achieve this goal.

04

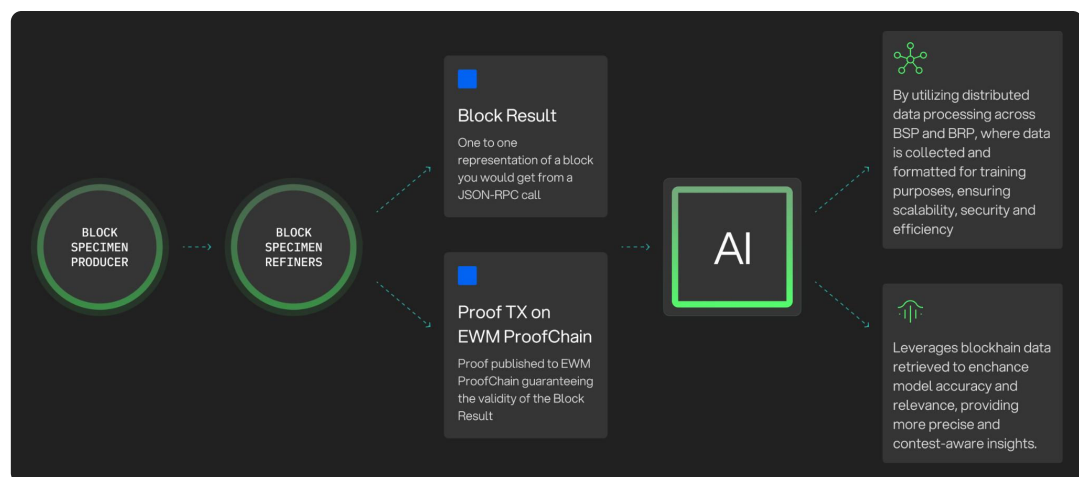
ARCHI-
TECTURE
AND ROLES

Exploring blockchain history, particularly with Bitcoin, reveals significant embedded information. For example, the first Coinbase transaction in Bitcoin includes a hex script signature that decodes into a critical headline from The Times about the Chancellor's bank bailout during the financial crisis. Such historical data is often available on-chain but frequently overlooked.

In Ethereum, protocol signals related to changes over time offer valuable insights. The Covalent team has tracked key events in Ethereum's history since 2014, focusing on state-related opcodes like SLOAD, EXTCODEHASH, and DELEGATECALL. The gas costs for these operations have significantly increased, impacting node synchronization efficiency. This was particularly evident during the 2016 Shanghai attack, a denial-of-service attack that severely slowed transaction synchronization.

The Covalent Network has been operational with key components such as the Block Specimen Production (Block Specimen Producers) for over a year, and the Block Result Production (Block Result Producers) went live in Q3 2023. Block-Specimen Producers (Block Specimen Producers) are integrating with blockchain clients like Geth and Erigon. Block Specimen Producers consume blocks from external public blockchains, generate Block Specimens, and then publish them to a storage layer. Block Specimen Producers submit proof transactions to a Proof Chain contract on the Moonbeam blockchain—and later EWM-ProofChain — and structures the data in a generalized way. Any EVM-compatible blockchain will work, technically speaking. If validated as the first submission of these blocks, these proofs earn intrinsic rewards in CXT (Covalent'sToken) through the network's consensus algorithm.

Block Specimen Producers Operator Machine



Along with that, each transaction emits a BlockSpecimenProductionProofSubmitted log event with the following fields:

chainId

Identifier of the blockchain network

specimenHash

Hash of the Block Specimen

blockHeight

Height of the block in the blockchain

storageURL

URL where the Block Specimen file is stored

blockHash

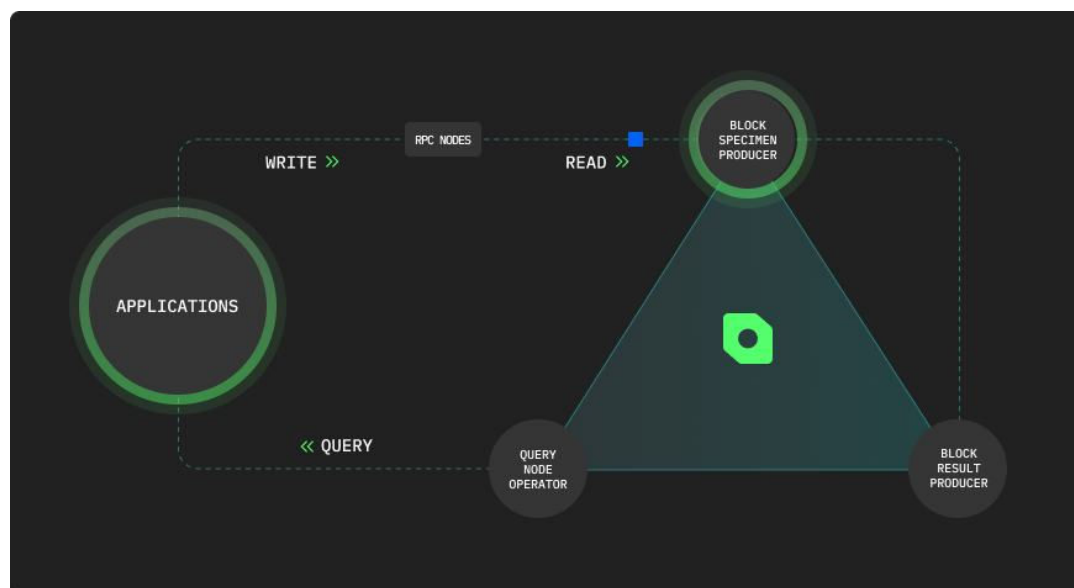
Unique hash of the block

submittedStake

The stake submitted with the proof

Similarly, a BlockResultProductionProofSubmitted log event occurs for each Block Result after re-execution. Interested parties can crawl the blockchain for these events and download the corresponding file pointed by storageURL to construct the canonical representation of the respective blockchain.

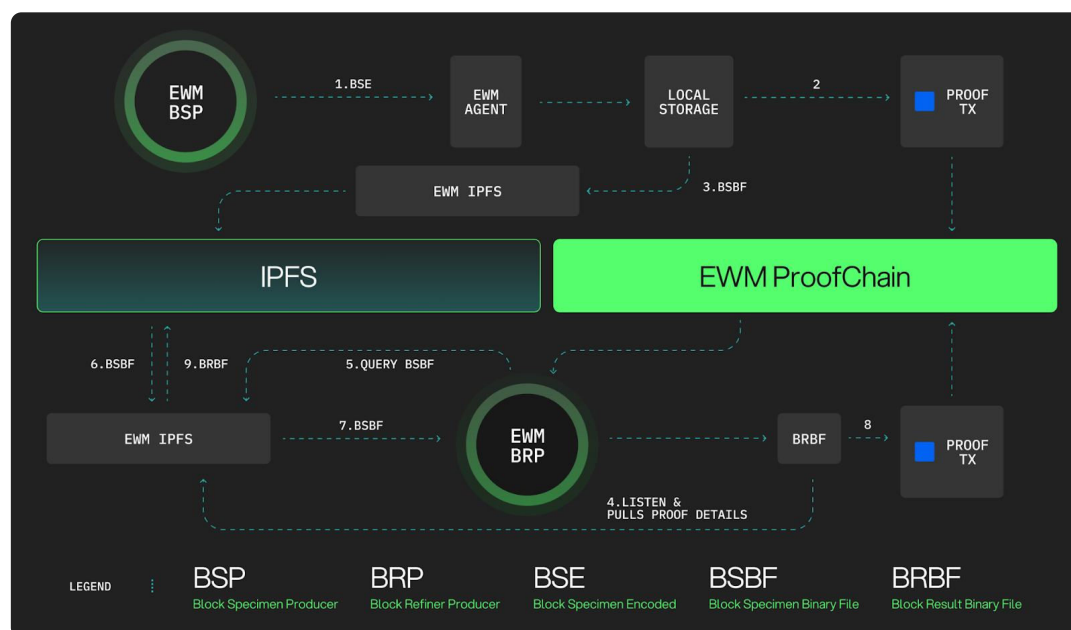
Block Specimen Producers and Block Result Producers in the Covalent Network structure



On the other hand, Block Result Producers are tasked with processing the Block Specimens created by Block Specimen Producers. Unlike Block Specimen Producers, Block Result Producers do not need access to fast nodes of external blockchains but only to the storage and proof layers. Their role involves re-executing Block Specimens using Covalent's states-tracer worker to produce trace specimens.

These trace specimens comprise multiple components, including trace-event streams and abstract contract-state specimen objects, which are published to the ProofChain contract on Moonbeam and soon moved to be a fullL1 called EWM-ProofChain along with the content hashes. Block Result Producers are incentivized similarly to Block Specimen Producers, earning CXT rewards for their contributions and facing penalties for submitting invalid specimens.

Block Result Producers role in the Architecture



Query Node Operators serve a different purpose within the network, in the current implementation, they focus on responding to user API queries. These operators build local data warehouses populated with data from the Ethereum Wayback Machine, observed through on-chain announcements by Block Specimen Producers and Block Result Producers. Query Operators pull relevant data objects, index them, and optimize them for query performance. They handle external analytical queries and participate in on-chain governance to influence the design and development of Block Result Producers and Block Specimen Producers software. This ensures that the upstream data structure aligns with their requirements for efficient query processing. Later, the Query Node Operators are expected to be augmented to have Generative AI models built on top for RAG (Retrieval Augmented Generation) inference pipelines.

Delegators allow individuals with smaller token holdings to participate in the Ethereum Wayback Machine without running a node themselves. By delegating their tokens to Network Operators, they share the token-based incentives using CXT generated by the network's data infrastructure economy. This delegation process enables broader participation in the network, distributing rewards among users who indirectly support Block Specimen Producers, Block Result Producers, and Query Operators' operations through their delegated tokens. This system ensures that even those not meeting the minimum stake requirements can still benefit from and contribute to the Ethereum Wayback Machine's ecosystem.

05

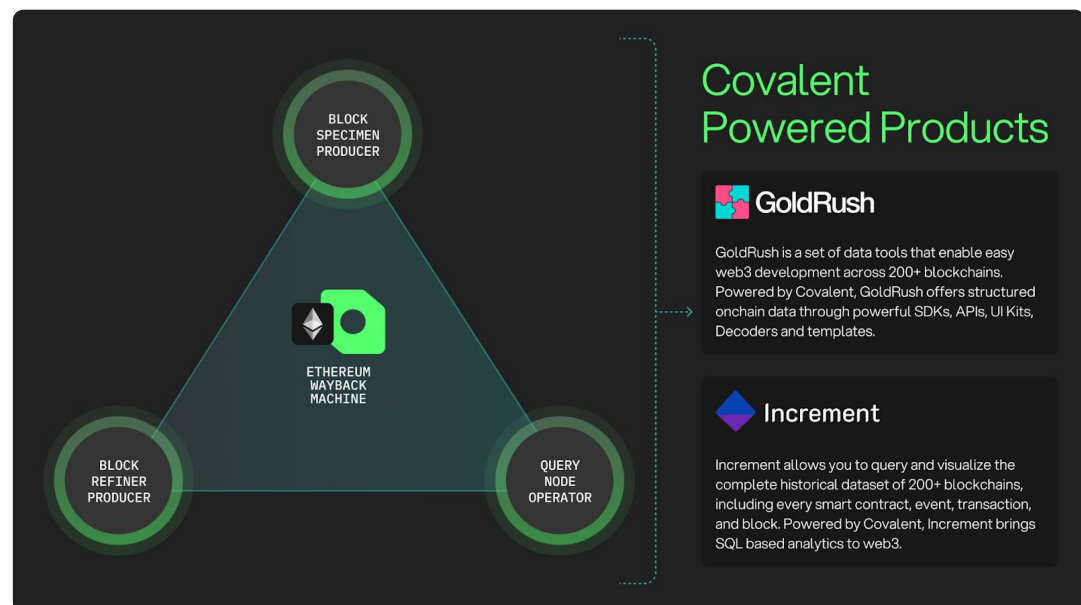
**LONG-TERM
DA AND
EWM**

Ethereum adopts rollups and other protocol improvements like Proto-Danksharding (EIP-4844) and state expiry (EIP-4444). So, the responsibility of providing historical data shifts outside the Ethereum core protocol. EIP-4844, or Proto-Danksharding, introduces data blobs optimized for rollups, reducing data availability costs. These blobs are pruned after a period, meaning the main chain won't store all historical data directly, necessitating external solutions for historical data access. EIP-4444, or state expiry, also allows the pruning of older state data to limit the Ethereum state size, maintaining network efficiency. This results in the Ethereum protocol no longer retaining historical state data indefinitely, further emphasizing the need for external storage and access solutions. The problem is the reliance on external organizations means a greater risk of centralization.

Long-Term Data Availability also becomes crucial for various applications such as taxation, auditing, AI and machine learning models, and regulatory compliance. Balancing scalability with the preservation of historical data is a significant challenge the Ethereum community must address to maintain the network's utility.

Ethereum Wayback Machine (EWM) is a universal, modular EVM long-term data availability and read scalability protocol. It operates through two chains: the stake chain Contract on Ethereum and the EWM-ProofChain. An event sequencer relays messages across these chains. The Ethereum Wayback Machine uses a decentralized store (currently IPFS) to store long-term data artifacts sorted by blocks. The protocol involves various actors, such as delegators, validators, Block Specimen producers, and Block Result producers.

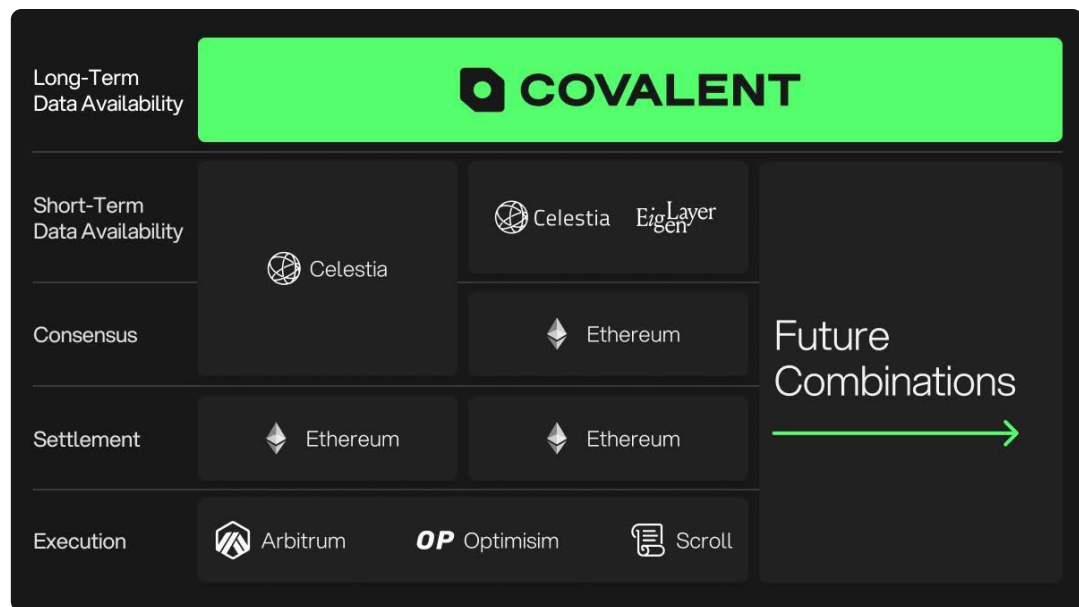
Long-Term Data Availability and other layers



The Block Specimen producer exports block data, extracts the state history (accounts, storage slots, balances, code hash) at node sync time, and presents it in a binary format. This producer stakes on the stake chain, commits to this work, creates a proof transaction, and relays it to the EWM-Proof Chain, which uses BFT Tendermint consensus. The EWM-ProofChain stores the results of these computed data artifacts.

Once the Block Specimen is posted on IPFS, its content identifier (CID) is included in the proof transaction. Multiple validators aggregate these proofs and verify the computations. The Block Result is then re-executed in an EVM transition tool, generating a JSON RPC-like response outside a node. It allows any data warehouse producer to re-structure history from any arbitrary block number, producing proofs of the queries they serve.

Lack of data availability can reduce the number of blockchain applications and use cases, limiting its potential impact. EWM addresses this issue by ensuring that historical Ethereum data remains accessible, verifiable, enriched, structured, and queryable.



In the context of taxation, having access to comprehensive historical data allows for accurate tracking of transactions, ensuring that tax calculations are precise and verifiable. It is particularly important for entities engaging in complex transactions, as missing or incomplete data can lead to significant discrepancies and potential legal issues.

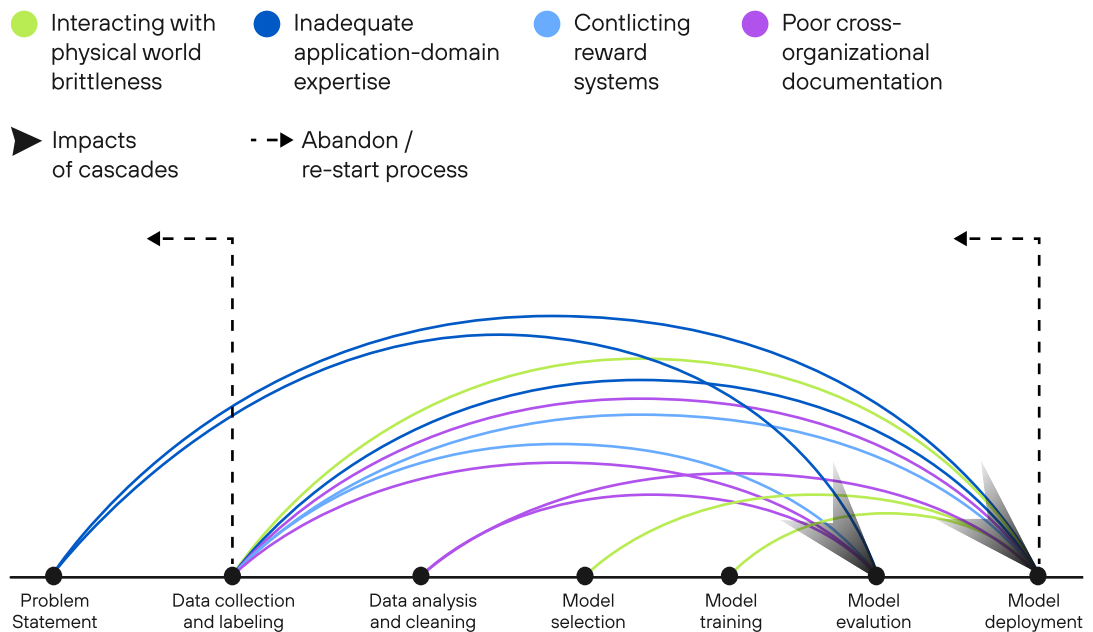
Tax authorities rely on detailed records to verify income, expenses, and other taxable events, and discrepancies in data can result in audits, penalties, or legal action. Accurate historical data ensures that all taxable events are accounted for, reducing the risk of underreporting or overreporting taxes and enhancing the overall transparency and trustworthiness of the tax process.

For auditing, accessing complete historical records is essential for verifying the integrity and accuracy of financial statements. Auditors need to trace transactions back to their origins to ensure that all financial activities have been recorded correctly and honestly.

Detailed transaction histories are crucial for identifying anomalies, errors, or fraud. Long-Term Data Availability enables auditors to perform thorough investigations and provide accurate assessments of an entity’s financial health. Without this data, auditors might miss critical information, leading to incomplete audits and potentially overlooking financial misconduct.

AI models benefit significantly from Long-Term Data Availability, which often require large datasets to learn and make accurate predictions. Historical blockchain data provides a rich source of information that can be used to identify trends, patterns, and anomalies. These insights are invaluable for training AI models to make more informed decisions and predictions. For instance, in financial markets, AI models can analyze historical transaction data to provide analytics on market movements or detect fraudulent activities. The absence of comprehensive historical data can impair the model’s ability to learn effectively, resulting in less accurate predictions and diminished performance.

Challenges in AI Model Development and Deployment



Regulatory compliance also hinges on the availability of historical data, as regulators need access to transaction records to monitor compliance with legal and financial regulations. Ensuring that this data is readily available and verifiable helps maintain the integrity of the blockchain ecosystem and fosters trust among users and regulatory bodies.

Regulators use historical data to investigate potential violations, assess risks, and ensure that entities adhere to the required standards. Long-Term Data Availability supports ongoing compliance efforts, enabling regulators to conduct thorough reviews and uphold the legal and ethical standards of the financial system. This continuous oversight is essential for preventing misconduct and maintaining public confidence in blockchain technology.

AI Use Cases

Covalent's structured data is used by a wide range of consumers, from taxation tools (CoinLedger) to investor dashboards (Jump Crypto) to user wallets (Rainbow). AI is an emerging data consumer well-suited for Covalent's data infrastructure products. To attract AI talent to the Covalent product, the team has administered multiple grants to AI projects. Some of the Q1 grantees using Covalent in their AI applications are mentioned below.

SmartWhales

an on-chain copy-trading platform that enables investors to follow DEX traders and automate trades to copy their activity.

Laika AI

a browser extension that offers on-chain analytics, token contract analysis, wallet tracking, AI alerts of on-chain activity, and more.

BotFi

a protocol that enables users to automate DeFi tasks, such as copy trading, dollar cost averaging (DCA), limit order scheduling, and more. It also offers an AI token screener, a frontrunning bot, and other tools to enhance the DEX trading experience.

Entendre Finance

an AI accounting tool that enables users to aggregate onchain activity from different platforms, automating transaction tracking, analysis, and record-keeping.

Later the Ethereum Wayback Machine is expected to augment Generative AI training and inference using the Block Result Producers and Query Node Operators.

EWM Integration and Future Developments in the Covalent Network

The Covalent Network is an implementation of the Ethereum Wayback Machine, offering a decentralized network where Block Specimen Producers and Block Result Producers rebuild a full canonical representation of a blockchain, host a database with normalized schemas, and it is expected that participants will run query node operators that currently one serves the GoldRush API to developers. The Ethereum Wayback Machine decentralizes data provision to mitigate censorship risks and eliminates RPC bottlenecks through Block Specimen and Block Results technologies. These ensure scalability without running nodes.

The Ethereum Wayback Machine offers developers and other ecosystem participants the ability to rebuild a full canonical representation of a blockchain



Cryptographic proofs secure the integrity of data. For each task, a proof is created, ensuring the data's correctness through cross-verification by multiple parties, thus maintaining the integrity and trustworthiness of historical blockchain data. The Ethereum Wayback Machine also offers enrichment capabilities such as contract tracing, and off-chain NFT metadata, providing comprehensive insights and analytics.

In addition, the Ethereum Wayback Machine is modular and composable. As a client software patch, Block Specimen Producers technology allows any validator to continue validating Ethereum while providing live or historical data. Non-Ethereum networks with EVM execution environments can adopt Block Specimen Producers technology, complementing their stack.

Future work includes building out other operator types to serve the needs of Ethereum and AI, and it should be noted that staking is now migrated from Moonbeam and sits on Ethereum. Additionally services like storage services, like blobs, decentralizing the event sequencer, expanding support to other chains, and integrating the Block Specimen Producers fork into clients like Nethermind and Besu. Query fees generated by Query Node Operators will feed back into the data artifact production, enabling a semi-compute and storage-based revenue distribution.

06

COVALENT ECOSYSTEM AND PRODUCTS

Covalent has achieved a major milestone by structuring +225 chains. This has highlighted gaps in Ethereum's roadmap, particularly the challenge of accessing historical data without relying on centralized intermediaries.

With the rise of Short-Term Data Availability middleware like Eigenlayer and Celestia and advancements such as Dank-sharding and state pruning, accessing historical data has become increasingly important. Covalent has responded by investing in structuring more chains to address this need.

By offering the GoldRush API through the child brand GoldRush.Dev, Covalent provides developers with a set of data tools that enable easy web3 development with structured onchain data for dapps. Developers can utilize GoldRush via SDKs, APIs, UI Kits, human-readable transactions and pre-built templates for a number of web3 use cases.

With the single GoldRush API—offered through the child brand [GoldRush.dev](#)— that spans +225 chains, including Ethereum, Bitcoin, and more, developers can now effortlessly integrate real-time and historical blockchain data into their applications.

Here's a closer look at what each add-on offers:

Transactions API – Access all historical transactions with human-readable events and fiat prices.

Wallet API – Retrieve all current and historical wallet balances and transfers for ERC20, NFTs, and native tokens across multiple blockchains, including Solana and Bitcoin.

NFT API – Get cached NFT assets and metadata, along with sales history, ownership, trait, attribute filters, and spam filtering on Ethereum and Polygon.

Blockchain API – Access all block, transaction, and event-level on-chain data.

Cross-Chain Activity API: With one API call, you can get a snapshot of a wallet's Web3 activity, listing active chains and the 'last-seen' date.

Security API – Secure wallets by providing a list of all token and NFT contracts that can be spent on a wallet's behalf, including the allowance granted, value-at-risk, and a risk assessment.

GoldRush Kit – Beautifully designed, open-source React components for front-end development.

Specifically, GoldRush Kit is an open-source, modular block explorer kit designed to address gaps in existing blockchain exploration tools. GoldRush provides users with customizable data views and interactions tailored to specific needs.

GoldRush is not a competitor to existing block explorers but an open-source toolkit enabling platforms to create custom explorers. This tool is especially useful for platforms like NFT marketplaces and Web3 games, where standard block explorers can disrupt user experience and fail to present data intuitively.

With GoldRush, platforms can build custom explorers quickly and efficiently. Key components available at launch include:

Token Balances

Manage token allocations across multiple wallets.

NFTs

Explore ownership and transaction history of non-fungible tokens.

Transactions

Review detailed histories of blockchain transactions.

Transfers

Track asset movements across the blockchain.

Address Activity

Monitor activity associated with specific addresses.

GoldRush offers these features and plans to introduce more, enabling developers and users to create blockchain exploration experiences.

Key points

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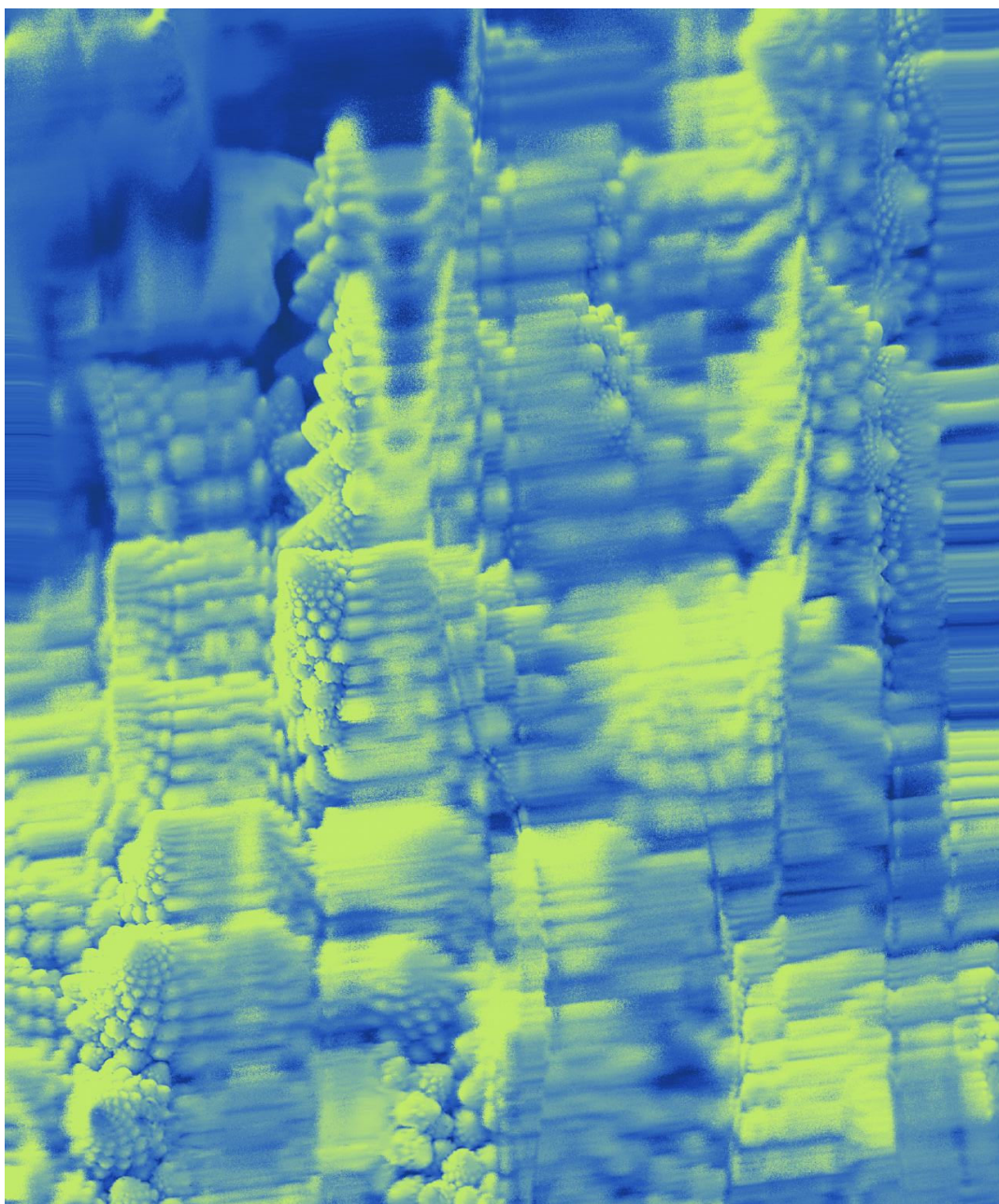
07

CXT TOKEN UTILITIES

The Covalent X Token (CXT) powers the Ethereum Wayback Machine. CXT is vital in incentivizing users to participate in the network and contribute to its growth and development. CXT is a reward that motivates users to contribute to and care for the Ethereum Wayback Machine's ecosystem.

Staking is a key part of the Ethereum Wayback Machine. It requires all Network Operators to stake a minimum amount. This process helps to encourage good behavior on the network. If a Network Operator does something wrong, they could lose a part of their staked amount. Besides, they can earn more CXT by being useful to the network.

Apart from Network Operators, Delegators can lend their tokens to Network Operators and earn yield in return without any direct data structuring operations.



08

MIGRATING CXT STAKING BACK TO ETHEREUM

As functioning decentralized modular data infrastructure, Covalent aims to continuously scale its network, which can be achieved through the expansion of the network contributors and B2B clients. Since Covalent generates real profits, incentivizing participants doesn't significantly inflate the token. This is because the reward emissions are within the previously set target schedule's budget, and more options for CXT staking will be available.

Since December 2021, Covalent's Staking and ProofChain Contract were established, posting proofs for Block Specimens and Block Results on Moonbeam—later to EWM-ProofChain. This arrangement ensured smooth network operation. However, it also introduced difficulties in adding new features, and certain aspects of the architecture were less user-friendly. These challenges also could indirectly impact the CXT token's value, hinder the growth of value capture mechanisms, and complicate user access to the Staking Contract.

Therefore, migrating the Staking Contract back to Ethereum was a necessary move to upgrade functionality and implement new use cases. This timing is ideal given the current boom of AI and Modular solutions, which critically require access to large volumes of data.

To make moving to new contracts easier, Covalent has set up a system that gradually cease the APY on the existing contracts on Moonbeam and balances the APY on Ethereum. This means the APY on Ethereum will slowly level out, giving stakers better terms and motivating them to move quickly.

Following the migration, Covalent has introduced new CXT delegation rules and plans to introduce a new role for light nodes. These mechanisms are designed to increase the number of network participants and enhance the token's value, mirroring the value of the underlying products. Despite user experience challenges, CXT stakers received the Wormhole (W) token airdrop successfully. Due to the previous Moonbeam-based architecture requiring this bridge, Covalent's cumulative transaction value has reached \$36.23M. As a result, Covalent (CXT) was ranked second by ERC-20 transfers on Wormhole.

By initial distribution rules, Covalent set 8% (80M CXT) of the total supply for rewards over four years. But, in the last two years, Covalent gave only about 20M CXT in rewards from a budget of 40M CXT. This means Covalent isn't using a lot of the rewards allocation, giving room to give out more to encourage network participation and enhance the network stats. Currently, the Covalent has reset CXT rewards emission to attract more Block Specimen Producers and to implement a less restrictive process for joining the Ethereum Wayback Machine.

To address a constraint in delegation capacity, Covalent is considering three adjustments: increasing the number of Block Specimen Producers from the current 17, raising the staking requirements for operators above the current range of 175K to 350K CXT, and adjusting the delegation multiplier, which is currently set at 34 CXT of delegation room per 1 CXT staked.

In response to the need for increased delegation capacity, Covalent is onboarding five additional operators: Graphyte Labs, Sensei Node, StakeCraft, PierTwo, and Matrixed Link. These operators will take on roles such as Block Specimen Producers, responsible for managing sharded Ethereum historical data, and Block Result Producers, who will organize this data for subsequent processing. This expansion is intended to create additional delegation room by maximizing the stakes from these new operators.

Staking Stats

Network Health

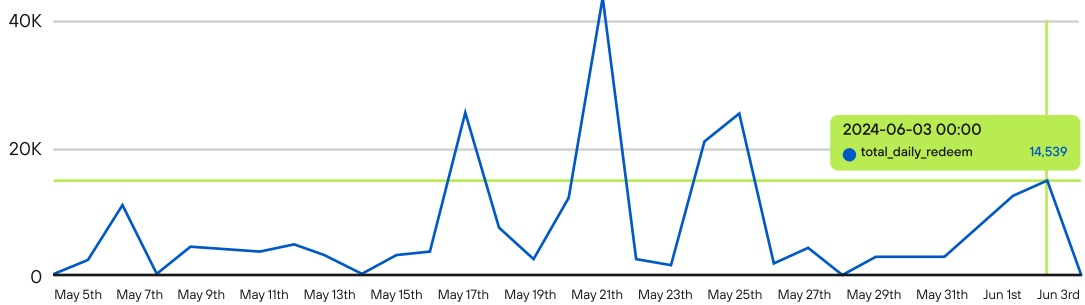
Number of Operators	Total Network Stake	Total Delegation Available
32 Operators	186,054,109.7147 CXT	2,872,660.7298 CXT
Block Specimen Producers 18	Total supply 1,000,000,000 CXT	
Block Result Producers 14	% circulating supply 85.63%	TVL 43,323,931.13 USD
Query Node Operators 1	% circulating supply staked 21.73%	% delegation space filled 98.43%

Last Epoch

Median APY
13.40%
Rewards distributed last epoch
65,717.00 CXT

Rewards distribution

\$CXT Rewards redeemed



Key points

Block Specimen Producers Operators must stake 175K - 350K CXT to help secure the network and earn CXT rewards.

The Covalent Network has decided to raise the maximum CXT delegation limit by increasing the multiplier from 27X to 34X.

In just one week after the staking max multiplier change, 98.5% of the delegation room has already been filled, showing increased community involvement.

Delegators and CXT holders can all take part in governance. Without direct data and infrastructure operations, they can earn ~10-14% APY.

You can find available Block Producers and stake CXT on Ethereum to join the Covalent journey at

[Covalent Website](#)



09

BUYBACK PROGRAM

Covalent has successfully transitioned its earnings from off-chain to on-chain through a regular buyback program. This strategy aims to boost Operators' income and ensure the persistent utility of the CXT token.

The CXT buyback program, initiated in January 2024, has shown significant growth. It purposefully buys back tokens using the revenue generated from the GoldRush API services.

Tokens accumulated through this method are intended for distribution to network Operators. This strategic move aims to cater to the changing needs of the Web3 landscape and stimulate growth in innovative sectors like AI, DeFi, analytics, and governance.

Key points

First buybacks have managed to acquire over \$100,000 worth of CXT from the open market in Q1 2024

Looking forward, business earnings are expected to see a steady rise. This growth is anticipated to enable Covalent to achieve a milestone of \$180,000 worth of CXT through its token buyback program by the end of Q2 2024.

Serving over 300 million wallets, this income approach is instrumental in upholding Covalent's core values of decentralization and openness. It helps preserve the usefulness of the EWM and ensures Covalent's data remains available for the long term, providing an additional incentive for the Operator's network.

10

CONCLU-
SIONS

Ethereum Wayback Machine is systematically improving existing token mechanics and moving towards the community. It is confirmed by the migration of the Staking Contract to the Ethereum mainnet and by programs aimed at expanding potential rewards for network contributors. The company's financial indicators encourage optimistic thoughts about the future of Covalent. By 2024, the network may significantly advance, opening up new promising market segments such as AI, dePIN, and Modular Solutions. Considering the active development of services that can ease the life of many new projects, we may soon see quite a few interesting integrations.

The Ethereum Wayback Machine comprises essential components like Block Specimen Production (Block Specimen Producers) and Block Result Production (Block Result Producers) and other operator types. Block Specimen Producers integrate with existing blockchain clients to consume blocks, generate Block Specimens, and submit proof transactions to ProofChain—and later the EWM-ProofChain, earning rewards for validated submissions. Block Result Producers play a complementary role by re-executing Block Specimens to produce trace specimens, publishing them for validation, and earning rewards while facing penalties for inaccuracies. Query Operators enhance data accessibility by building and optimizing local data warehouses, responding to API queries, and participating in on-chain governance to improve the system's efficiency and performance.

Looking ahead, the Covalent Network aims to expand its ecosystem and enhance Long-Term Data Availability through initiatives like the Ethereum Wayback Machine (EWM) and support for more blockchain networks. Delegation mechanisms enable broader participation, allowing smaller token holders to delegate their tokens and share in the network's incentives without running nodes. The network's development includes plans well underway starting with the migration of staking back to Ethereum, add storage services, integrate with more blockchain clients, ensuring robust data accessibility, infrastructure pipelines for AI, and continuous growth. Through comprehensive structuring and the GoldRush API, Covalent is committed to solving practical issues in the blockchain space, making historical and real-time data readily available for various applications such as auditing, AI, and regulatory compliance.

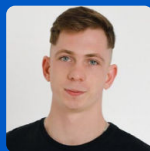
Also worth noting is the buyback system, which has expanded the number of delegates and created new roles for network participants. These actions aim to strengthen the ecosystem and contribute to general enrichment due to mutually beneficial relationships with Operators. In 2024, we have observed the rebrand of this project in a new format, which cannot but interest any analyst or retail investor. The Web3 market is developing dynamically, and Covalent is keeping pace with it, demonstrating a deep understanding of its needs.

Cryptomeria Capital.

About us

Cryptomeria Capital is an early-stage VC firm based in Dubai with a presence in Singapore and Hong Kong. The firm believes decentralized projects, cryptocurrencies, and Web 3.0 will dramatically reshape economic relations and focus on ventures, tokens, and projects related to blockchain technology and crypto assets. Cryptomeria Capital supports transformation by providing early-stage financing for ambitious projects in a rapidly developing industry.

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