PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Avalon Labs (AVL)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading AVL. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the Risk Summary for additional discussion of general risks associated with the assets made available in the platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is AVL and how does it work?

Avalon Labs operates a blockchain-based lending platform that facilitates crypto-asset lending using Bitcoin and its derivatives as collateral. The platform supports both decentralized (DeFi) and hybrid centralized-decentralized (CeDeFi) lending models, where users deposit Bitcoin or related assets to borrow stablecoins, including the Bitcoin-backed stablecoin USDa issued by Avalon Labs. The platform integrates Know-Your-Customer, Know-Your-Business, and Anti-Money Laundering procedures for institutional participants in the CeDeFi model. Avalon Labs operates a permissionless DeFi lending model alongside its institutional CeDeFi offerings.

AVL is the governance and utility token of the Avalon Labs ecosystem. Holders can stake AVL to earn rewards, gain governance power, and receive fee rebates on Avalon's lending products, and the token also enables future access to new products within the ecosystem.

Who is behind the project?

Avalon Labs was founded by Venus Li

Tokenomics of AVL

The total supply of AVL is 1 billion tokens which is distributed as follows:

AVL Allocation	% of Total supply
Community Incentive	28%
Airdrop	20%
Investors	19%
Ecosystem and Treasury	15%

Team	10%
Advisors	4%
Initial Liquidity	4%
Total	**100%**

General Risks

Like all other digital assets, there are some general risks to investing in AVL. These include short history risk, volatility risk, liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

Risks specific to AVL

Competition

The Avalon Labs platform faces competition from other Bitcoin-backed lending and CeDeFi platforms such as Aave, Maker (Sky), and others. AVL's value derives from its broader adoption in the market. If the Avalon Labs platform fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of AVL.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on AVL and determined that AVL is unlikely to be a security or derivative under UK securities legislation. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of AVL, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created AVL;
- The supply, demand, maturity, utility and liquidity of AVL;
- Material technical risks associated with AVL, including any code defects, security breaches and other threats concerning AVL and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with AVL, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of AVL, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to AVL about whether AVL, or generally about whether the type of crypto asset, is a security and/or derivative.

Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong. Take 2 mins to learn more.

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