

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Term Finance (TERM)

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Disclaimer

Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that TERM is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.

Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading TERM. Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian 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 Crypto Asset Statement is based on publicly available information provided by third parties.

What is Term Finance and how does it work?

Term Finance is a decentralized, non-custodial lending protocol built on Ethereum that enables fixed-rate, fixed-term lending and borrowing. The protocol operates through periodic sealed-bid auctions, where borrowers and lenders submit bids and offers to determine a market-clearing interest rate. This mechanism provides transparent and efficient pricing for loans without relying on centralized intermediaries. By allowing users to secure fixed interest rates for a set duration, Term Finance aims to bring more predictability and risk management to decentralized finance (DeFi).

The TERM token is planned to be used for governance and staking. Users must stake TERM to participate in governance decisions, aligning incentives between long-term participants and the protocol's growth.

Who is behind the Project?

Term Finance was developed by Term Labs, the project was founded by Dion Chu, Robert Chu, Billy Welch, and Dai Yu.

Tokenomics of TERM

The total supply of TERM is 100,000,000 tokens which is distributed as follows:

Category	Allocation
Community	49.09%
Founding Team and Early Contributors	24.6%
Investors	19.31%
Foundation	7%
Total	100%

General Risks

Like all other digital assets, there are some general risks to investing in TERM. These include short history risk, volatility, and 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 Term Finance

Competition

The Term Finance network faces competition from other decentralized finance platforms such as Aave, Compound, and many others. Term Finance's value derives from its broader adoption in the market. If the Term Finance network fails to achieve sufficient adoption compared to other options in the market, this could negatively impact the value of TERM.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on TERM and determined that TERM is unlikely to be a security or derivative under Canadian 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 TERM, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created TERM;
- The supply, demand, maturity, utility and liquidity of TERM;
- Material technical risks associated with TERM, including any code defects, security breaches and other threats concerning TERM 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 TERM, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of TERM, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to TERM about whether TERM, or generally about whether the type of crypto asset, is a security and/or derivative.