

PAYWARD CANADA INC.

CRYPTO ASSET RISK DISCLOSURE

Kaito AI (KAITO)

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Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading KAITO. 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 Statement for additional discussion of general risks 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 that may be inaccurate, incomplete, or change at any time.

What is Kaito AI and how does it work?

Kaito AI is an AI-powered Web3 information platform designed to transform large amounts of unstructured crypto data into actionable insights. By indexing numerous Web3 sources, Kaito AI aims to address the fragmentation of information commonly experienced in the cryptocurrency space. The platform offers features such as MetaSearch, which allows users to search for instant insights across various crypto-related content, and Sentiment Tracking, providing analytics on market sentiment over time. Additionally, Kaito AI includes a Catalyst Calendar to track events and catalysts for over 2,000 tokens in real-time.

The platform operates by leveraging large language models to process and analyse data from diverse sources, including social media, governance forums, research publications, news outlets, podcasts, and conference transcripts. Kaito AI also offers customisable dashboards and watchlists, allowing users to track news, governance proposals, discussions, sentiment changes, and upcoming events related to specific tokens or projects.

KAITO is the utility token for the Kaito platform. Holders will be able to stake KAITO for voting power in governance decisions and the Yapper Launchpad. The Yapper Launchpad is a platform within the Kaito AI ecosystem that allows the community to choose which Yapper Leaderboard should be launched next. The Yapper Leaderboard is a public leaderboard that tracks and ranks the contributions and influence of creators for any specific brand or topic. It aims to incentivise public participation in content creation and promote community engagement. Additionally, brands use KAITO to access network services, while distributors earn KAITO for maintaining the Kaito AI network, onboarding brands, and managing leaderboards.

Who is behind Kaito AI

Kaito AI was founded by Yu Hu who continues to work on the project as CEO, and Yunzhong He who serves as head of AI.

Tokenomics of KAITO

The total supply of KAITO is 1 billion tokens. The token distribution is as follows:

Category	Amount
Core Contributors	25.0%
Early Backers	8.3%
Foundation	10.0%
Initial Creator Incentives	10.0%
Genesis NFT	1.0%
Liquidity Incentives	5%
Ecosystem and Community*	40.67%

*The Ecosystem and Community allocation facilitates ecosystem growth by providing grants, incentives, and other initiatives that drive sustained adoption and innovation.

General Risks

Like all other digital assets, there are some general risks to investing in KAITO. 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 KAITO

Competition

KAITO faces competition from other web3 data aggregation and AI-driven analytics projects such as The Graph and Rootdata. KAITO's value derives from the project's broader adoption in the market. If KAITO

fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of KAITO

Due Diligence

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

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 KAITO 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.