PAYWARD CANADA INC.

CRYPTO ASSET RISK DISCLOSURE

Velodrome Finance (VELO)

Last updated on July 29, 2024

Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading VELO. 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 Velodrome Finance?

Velodrome Finance is a decentralised exchange on the Optimism network, aiming to enhance liquidity and trading efficiency. By integrating features from Curve, Convex, and Uniswap, it strives to become the central liquidity hub for Optimism.

Who is behind the Project?

Velodrome Finance was founded by Alexander Cutler in 2022.

How does it work?

Velodrome Finance, an automated market maker built on Optimism, enables users to swap between tokens and features multiple pools.

veVELO, the governance token for Velodrome Finance, will be able to be obtained by locking VELO. veVELO holders will be able to vote on which pools receive VELO emissions, boosting rewards and attracting more liquidity providers to that pool. As of July 2024, governance is not live yet.

Tokenomics of Velodrome Finance:

The total supply of VELO is approximately 1.76 billion with the initial distribution as follows:

Category	**Distribution**	**Total Supply**
Airdrop	240 million	60%
Partner Protocols	96 million	24%

Velodrome Foundation	40 million	10%
Optimism	20 million	5%
Genesis Liquidity Pool	4 million	1%

As of July 2024, the circulating supply is approximately 747 million.

General Risks
Like all other digital assets, there are some general risks to investing in Velodrome Finance. 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 Velodrome Finance

Regulatory Scrutiny
A regulatory crackdown on DeFi such as the Digital Commodities Consumer Protection Act (DCCPA), which could regulate decentralised exchanges similar to their centralised counterparts, could have a negative impact on DeFi and the value of VELO.

Competition
Velodrome Finance faces competition from other decentralised exchanges operating on the Optimism network such as Uniswap, 1inch, Lemma, OPX Finance, amongst others. VELO's value derives from its broader adoption in the market. If Velodrom Finance fails to achieve sufficient adoption compared to the other options in the market, this could negatively affect VELO's value.

Due Diligence

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