

PAYWARD LTD
CRYPTO ASSET RISK DISCLOSURE
Layer3 (L3)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading L3. 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 Layer3 and how does it work?

Layer3 is an omnichain distribution and credential platform where users complete on-chain “Quests” and automatically mint non-fungible CUBE credentials that record the networks, contracts and actions involved. These ERC-721 CUBEs form a portable activity history, while projects use the no-code Builder dashboard to launch multi-chain “Activations,” lock rewards and track engagement analytics in real time. The core contracts are live on Ethereum, major layer-2 networks and Solana (via Wormhole) and have issued millions of credentials and rewards to date.

L3 is the ERC-20 utility and governance token that powers this ecosystem. Holders can commit L3 to the Layered Staking contract to earn additional L3, qualify for boosted airdrops and unlock gated quests or early product launches. Protocol teams must lock L3 when using the Builder to publish Activations, creating ongoing demand for the token, and staked holders may participate in governance through the Foundation-run Protocol Council.

Who is behind the project?

Layer3 was founded in 2021 by Dariya Khojasteh and Brandon Kumar. Ongoing development and ecosystem funding are now stewarded by the Layer3 Foundation, a Cayman-registered entity that coordinates governance and treasury activities for the protocol.

Tokenomics of L3

L3 has a maximum supply of 3,333,333,333 tokens, which were distributed as follows:

Category	Amount
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Community incentives & airdrops	51%
Core contributors	25.3%
Investors	23.2%
Advisors	0.5%

General Risks

Like all other digital assets, there are some general risks to investing in L3. 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 Layer3

Competition

The Layer3 network faces competition from other cryptocurrencies such as Galxe, RabbitHole, and many others. Layer3's value derives from its broader adoption in the market. If the Layer3 network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of L3.

Developer Dependence

While there are many developers who contribute to Layer3, there are no guarantees that they will continue to contribute. L3, Layer3's native asset, could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its incentive tooling when necessary.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on L3. Kraken was permitted to make L3 available for trading to UK users, in compliance with UK law. This process generally consists of reviewing publicly available information on the following:

- The creation, governance, usage and design of L3, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created L3;
- The supply, demand, maturity, utility and liquidity of L3;
- Material technical risks associated with L3, including any code defects, security breaches and other threats concerning L3 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 L3, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of L3, 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 L3 about whether L3, 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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