

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

CQT

Covalent (CQT)

Last updated on September 26, 2023

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 CQT 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 CQT. 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 Covalent?

Covalent is a software that aggregates data from several of the leading blockchain platforms, including Ethereum, Avalanche and Polygon, and allows participants to access these data points for a variety of use cases.

By fully indexing entire blockchains and accessing their data from a unified API, Covalent aims to capture granular information recorded within smart contracts that are not accessible with existing tools.

Thus, Covalent aims to make it easier for developers to gain a more complete, timely and accurate overview of the full blockchain ecosystem. Additionally, Covalent states that in the future, once all blockchain data has been indexed, users will also be able to integrate private enterprise data.

To achieve cross-blockchain data availability, the Covalent software allows users to create, validate, index, store, and retrieve granular levels of blockchain data. They are then rewarded for their

contributions to the data querying process with Covalent's native cryptocurrency, Covalent Query Token (CQT).

Covalent positions itself as a “no code solution” which means no specialized, costly developers or complex queries should be needed to retrieve the specialized blockchain data users require while building their projects.

Who is behind the project?

Covalent was founded in 2017 by Ganesh Swami and Levi Aul. The team has raised more than \$5 million in two funding rounds from several investors, including Alameda Research, CoinGecko and Hashed Ventures, among others.

How does it work?

The Covalent software can be used to index the entire history of blockchains, including every smart contract, wallet address, transaction and more.

This indexed data, regardless of its blockchain source, is normalized into the same format, which Covalent calls “block-specimens.”

Covalent enables users to query data from various blockchains through one unified API.

Tokenomics of CQT

The Covalent Query Token (CQT) is a multi-purpose token with a supply cap of 1 billion CQT and according to CoinGecko, a circulating supply as of September 2023 of ~608 million.

The CQT token is used for governance where token holders can vote on changes to the Covalent software. In the future, when an individual makes a call for the API, they pay with a stablecoin. The contract then market buys CQT using this stablecoin. The payment is then used to reward the validators.

33.3% of the token supply was sold in private sales, 3.4% was sold in public sales. The team was allocated 14.4% of the token supply and the advisors 2%, the ecosystem was allocated 20% of the token supply and there was 18.9% allocated to the Reserve. The remaining 8% is distributed through staking.

General Risks

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

Competition

CQT faces competition from other querying and indexing projects like The Graph. CQT's value derives from its broader adoption in the market. If CQT fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of CQT.

Developer Dependence

Although there are many developers working on CQT, there are no guarantees that they will continue to contribute. CQT could be negatively affected by an inability to retain and/or attract developers to continue to build out its data management network.

Due Diligence

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