DISCLOSURE ITEMS FOR THE CRYPTO-ASSET WHITE PAPER FOR CRYPTO-ASSETS OTHER THAN ASSET-REFERENCED TOKENS OR E-MONEY TOKENS

Version	Author	Date	Reviewer	Date	Status
0.1	Henrik Axelsen	19.12.2024	Morten Rongaard	20.12.2024	Approved
0.2	Henrik Axelsen	20.12.2024	Tobias Hedelund Hermansen	22.12.2024	Comments
1.0	Henrik Axelsen	23.12.2024	Morten Rongaard	23.12.2024	

Table of Contents

Statements and Disclaimers

This crypto-asset White Paper has not been approved by any competent authority in any Member State of the European Union. The offeror of the crypto-asset is solely responsible for the content of this crypto-asset white paper. To the best of knowledge of the management body, the information presented in the White Paper is fair, clear, and not misleading and the White Paper makes no omission likely to affect its import.

The PXPAI token described in this White Paper may lose its value in part or in full; it may not be transferable, and it may not be liquid. The PXPAI crypto-asset is a utility token that may not be exchangeable against the good or service promised in the crypto-asset white paper, especially in the case of a failure or discontinuation of the crypto-asset project. The PXPAI token is not covered by the investor compensation schemes under Directive 97/9/EC of the European Parliament and of the Council, nor is it covered by the deposit guarantee schemes under Directive 2014/49/EU.

All disclaimers in this document also apply to any White Paper extensions intended to be reviewed alongside this document. This White Paper includes forward-looking statements based on the Issuer's current expectations, estimates, plans, and projections. These statements involve known and unknown risks and factors that could cause actual outcomes – such as financial performance, services, or achievements – to differ materially from those anticipated.

 While every effort has been made to ensure the accuracy and completeness of the information contained in this White Paper, we reserve the right to update or amend this whitepaper during the token offering period as necessary to reflect material changes, new developments, or updates required for regulatory compliance. This reservation of rights is designed to ensure transparency and adaptability, enabling the project to address unforeseen circumstances while safeguarding investor interests. Any updates will be made in good faith and in compliance with applicable laws and regulations. By participating in this token offering, you acknowledge and accept that this whitepaper may be subject to updates as outlined above.

The PXPAI token price is exclusive of VAT, and purchasers are responsible for compliance with their local tax obligations.

Summary

This summary should be read as an introduction to the White Paper. The prospective holder should base any decision to purchase the crypto-asset on the content of the crypto-asset white paper as a whole and not on the summary alone. The offer to the public of the crypto asset does not constitute an offer or solicitation to purchase financial instruments and that any such offer or solicitation can be made only by means of a prospectus or other offer documents pursuant to the applicable national law. This crypto-asset white paper does not constitute a prospectus as referred to in Regulation (EU) 2017/1129 of the European Parliament and of the Council or any other offer document pursuant to Union or national law.

PXPAI is a platform utility token, initially launched on the BASE blockchain, but aiming to be available on public blockchain networks that are used by gaming studios on Pixelpai's platform. PXPAI provides access to the Pixelpai platform for a faster, safer, and more efficient way to monetize blockchain-based gaming by providing access to facilities in the Pixelpai infrastructure platform, including analytical, financial and transactional functionalities via its financial, compliance and tooling hubs as well as its Node operator system.

The PXPAI token is only available for issuance through the Pixelpai Token Mint service and its access is limited to customers located in supported jurisdictions as determined by our regulatory licensing. PXPAI is currently not listed or traded via any regulated crypto-asset service providers. Pixelpai may later seek its admission to trading on future MiCA-compliant trading platforms but makes no promises in that regard.

Information about the Offeror

Name: Pixelpai ApS (Trading name: Pixelpai)

Legal form: Limited liability company (Anpartsselskab)

Registered address and head office: Applebys Plads 7, DK-1411 Copenhagen, Denmark

Date of registration: 30.11.2023

Legal Entity Identifier (LEI): LEI # 9845006N4A1EL2F3F005 / Denmark CVR 44479397

Phone: +4553630028
Email: finance@pixelpai.com
Inquiries to this offer received before February 1, 2025, will receive an answer within 5 business days.

Management information:
- Henrik Axelsen, CEO, Applebys Plads 7, DK-1411 Copenhagen, Denmark
  Morten Rongaard, COO, Applebys Plads 7, DK-1411 Copenhagen, Denmark

Registered business activity: IT and tokenization services, Virtual Asset Services

Financial condition disclosure

Pixelpai is based in Copenhagen, Denmark. It is a fintech startup in its first year of operations, actively scaling its platform and services to meet the growing demands of web3 gaming studios. Pixelpai is generating income from initial services and platform features while building a

sustainable and scalable business model. The firm completed an initial angel funding round in mid-2024, securing DKK 2.250.000 and a match-loan of DKK 1.500.000 from the Danish Export and Investment Fund, which has been strategically allocated to product development, compliance readiness, and onboarding of early customers. These funds have supported the firm in achieving key milestones, including platform launch and the submission of our MICA regulatory license application in December 2024. Recognizing the dynamic nature of the startup growth trajectory, management remains actively engaged in funding discussions with venture capital firms and strategic investors to secure additional financing. Based on budgets and operational plans the firm needs to raise an additional DKK 3.000.000 in 2025 and additional funds in 2026 to scale globally. In parallel, and to partly offset this funding requirement and create a platform for co-creation and -reward, as outlined in this White Paper, the firm is raising funds via the offer described in this White Paper to further support the expansion and enhancement of our ecosystem. While the first audited financial statement will be available after completing the initial fiscal year 2024, management remains committed to transparency and prudent financial management to ensure long-term operational success.

The project

The name of the crypto-asset project is PXPAI, which is also the name of the utility token described in this White Paper.

Pixelpai is developing a comprehensive web3 platform tailored for gaming studios, offering innovative financial and compliance tools to support the creation, management, and monetization of blockchain-based gaming ecosystems. The project aims to empower gaming studios to monetize their web3-games in a secure, user-friendly infrastructure that integrates traditional finance and distributed technologies while ensuring regulatory compliance and new ways to monetize through:

- Simplified interface: By integrating simple end-user interactions with complex blockchain environments we simplify the user experience.
- Interoperability: Our platform will bridge blockchain platforms with traditional financial systems to enable both cross-chain transactions and traditional payment transaction on blockchain and other DLT.
- Security and compliance: Our platform enforces high standards for data security, regulatory adherence, and fraud prevention.
- Optimized transaction processing: By leveraging AI for congestion prediction, fee optimization, and transaction batching, the platform will aim to increase efficiency and lower costs compared to traditional methods of transacting.

Project team

Developer: Pixelpai ApS, Applebys Plads 7,2., DK-1411 Copenhagen, Denmark
Legal advisor: Samar Law Advokatanpartsselskab, Gl. Kongevej 120, 1., DK-2000 Frederiksberg, Denmark

PXPAI utility token features

The PXPAI token is the core utility token of the PixelPai platform, providing essential access to advanced platform features on a functional, tiered basis.

Users can unlock tools like the NFT Analyzer for detecting wash trading and suspicious activity, smart contract creation and automation tools tailored for gaming studios, and compliance tools such as transaction monitoring, wallet screening, and KYC processes. Additionally, PXPAI tokens grant access to advanced analytics, offering insights into user trends, risk profiles, and overall ecosystem behavior. These functionalities position PXPAI as a central enabler of innovation and operational efficiency within the PixelPai ecosystem.

PXPAI tokens will also offer discounts on subscription-based services, compliance tools, and operational utilities. These discounts are specifically designed to promote token circulation and adoption, emphasizing utility over speculation. To foster ecosystem growth, PXPAI tokens will be awarded for achieving predefined milestones, such as driving active user engagement or developing games that meet platform compliance standards.

Beyond individual utilities, PXPAI serves as the primary medium of exchange across PixelPai's ecosystem hubs:
- Finance Hub: PXPAI facilitates seamless on-ramping and off-ramping of select fiat currencies, multi-currency wallet functionality, integrated swap services, and operational clarity through segregated account structures, ensuring additional protection.
- Compliance Hub: PXPAI provides access to predictive analytics, transaction monitoring, wallet screening, and tokenized credentials management, ensuring compliance data is securely linked to platform activities.
- Tooling Hub: PXPAI enables advanced wallet security features, API/SDK integrations, and custom token issuance tools, empowering gaming studios and developers with cutting-edge capabilities.

Additionally, the platform will integrate agentic AI tailored for gaming studios, offering advanced tools and models to enhance player experiences, optimize game performance, and streamline compliance automation. Studios can use PXPAI tokens to access features such as scenario generation, real-time player behavior analysis, and personalized game recommendations, enabling them to build immersive and compliant gaming environments.

Further, the PixelPai Node System emphasizes ecosystem utility and operational contributions, ensuring alignment with the platform's mission to support growth and innovation. Node participation is determined by a mix of tokens locked and functional contributions, such as validating transactions, running analytics modules, and supporting governance, as outlined in the platform contribution policy.
- Silver Nodes provide basic services, including facilitating liquidity and processing transactions, ensuring smooth platform operation.
- Gold Nodes enable enhanced cross-chain functionality, advanced analytics, and resource optimization for greater platform scalability.
- Platinum Nodes offer advanced capabilities, including governance participation and exclusive access to publish and monetize analytics tools. The platform allows Platinum Node operators to create and publish their own tools, such as agentic AI solutions, on the platform to enable a gaming ecosystem for AI and analytics services. This

marketplace fosters collaboration and innovation, enabling developers to market custom solutions tailored to gaming studios.

Revenue mechanisms in the Node System are based on proportional fee rebates mixed with PXPAI rewards tied to operational contributions enabled through the nodes. This ensures rewards reflect genuine ecosystem engagement rather than token holdings alone. Automated liquidity management strategies further simplify participation, allowing Node operators to benefit from professional-grade tools without requiring deep technical expertise. This balanced approach ensures that the Node System supports platform scalability, incentivizes meaningful contributions, and enriches the PixelPai ecosystem.

Roadmap and milestones

2024 Milestones achieved

- Conceptualization and Design: Completed the conceptualization of Pixelpai and designed the platform architecture.
- Regulatory Milestones:
    - Obtained VASP registration.
    - Submitted MiCA regulatory license application (DK/EU).
- Core Infrastructure Development: Developed and integrated key platform infrastructure components.
- Product Launch: Released NFT Analyzer V1 and select functionality related to tokenized Identity as a Service and Credentials Management
- Onboarded first customer in April 2024 and became revenue-generating from May 2024
- Established a permanent presence in the UK

2025 Goals

- Banking and Payment Integration:
    - Secure sponsor bank access.
    - Implement Mastercard principal membership for direct clearing and reduced friction.
- Licensing and Regulation:
    - Transition VASP license to MiCA-compliant CASP license in Denmark.
    - Apply for and obtain EMI license approval in Denmark.
    - Implement Mastercard principal clearing membership.
    - Define UK market entry and initiate UK Financial Conduct Authority licensing process.
- Platform Expansion:
    - Deploy PXPAI token as core utility token and integrate it into platform services.
    - Enhance cross-chain functionality
    - Develop agentic AI for analytics, coding, and compliance reporting.
- Market Growth:
    - Establish a strong position with EU and UK MSME gaming studios.
    - Establish permanent presence in APAC.
    - Expand into larger gaming studios.
- Node System Implementation:

- Deploy core smart contract and integrate it with PXPAI tokens.
- Launch Silver, Gold and Platinum Nodes offering advanced revenue-sharing features.
- Integrate cross-chain deployment capabilities on EVM-compatible chains to enable nodes to participate in monetization strategies across multiple blockchain networks.

2026 Objectives

- Platform Expansion:
  - Expand cross-chain functionality and interoperability to and between non-EVM compatible chains as needed to enable interoperable Cross-Game Economies and support trading and transferring of in-game assets (e.g., NFTs) between platforms.
  - Enable seamless transactions across multiple gaming ecosystems.
  - Expand agentic AI capabilities.
  - Develop a universal wallet bridging web2 and web3 ecosystems.
- Client and Market Consolidation:
  - Strengthen and expand EU/UK footprint.
  - Engage sponsor banks for global custodianship.
- Global Presence:
  - Build a network supporting Trust, Foundation, and DAO web3 gaming structures.
  - Expand APAC footprint.
- Market Growth:
  - Expand verticals to offer a one-stop-shop gaming platform.
- Licensing and Regulation:
  - Finalize UK licensing for CASP and EMI services.
  - Initiate APAC licensing processes.

Blue Sky Vision: Future Opportunities

While the foundational roadmap focuses on ecosystem growth and utility, Pixelpai envisions additional opportunities to position PXPAI, the platform and community as a broader web3 platform economy, to be agreed with Node operators and other token holders:

- Treasury and Governance Innovations:
  - Establish a decentralized treasury to fund community-driven projects.
  - Enhance governance mechanisms to include tiered voting rights for ecosystem participants.
- Dynamic Incentive Structures:
  - Introduce staking rewards linked to platform KPIs (e.g., user retention, transaction volume).
  - Implement gamified rewards for studios achieving ecosystem milestones.
- Environmental and Social Sustainability:
  - Integrate with carbon offset programs to address blockchain energy concerns.
  - Partner with eco-conscious gaming initiatives to align with ESG goals.
- Liquidity and Revenue Sharing:
  - Deploy automated market maker (AMM) liquidity pools.
  - Develop token buyback programs funded by platform revenue.

Planned use of funds

Proceeds from the sale of PXPAI tokens will be allocated to support the following key initiatives:

- Platform Development (60%): Dedicated to enhancing and maintaining platform tools to deliver a seamless experience for users.
- Compliance and Regulatory (25%): Ensuring full compliance with MICA and other applicable regulations to foster trust and transparency.
- Sales and Marketing (15%): Focused on onboarding gaming studios and expanding market reach to drive growth and engagement.

The Offer

The White Paper concerns an offer to the public of crypto-assets in the form of a utility token.

At issuance, PXPAI tokens will not be listed on any cryptocurrency exchanges. However, they may be listed on regulated or unregulated exchanges in the future, subject to a separate White Paper.

We are committed to advancing web3 gaming financial infrastructure, grounded in our belief that distributed technology represents the future of finance. Tokens play a crucial role in driving engagement and amplifying network effects. The PXPAI token introduces financial incentives that not only enhance user and studio participation but also create alignment between their financial interests and the platform's growth, fostering loyalty and incentivizing collaboration. This phenomenon, often referred to as the 'token effect,' goes beyond traditional network effects by embedding financial alignment into the ecosystem.

The token serves as a medium for monetization within the ecosystem, facilitating in-game transactions, enabling studios to earn royalties, and supporting cross-game asset trading. These capabilities generate new revenue streams for gaming studios and Pixelpai, reducing dependence on traditional monetization methods. Additionally, the PXPAI token offers a standardized, compliant way to interact within the ecosystem, making it easier for gaming studios to transition to blockchain technologies while meeting regulatory requirements.

Interoperability is another key feature, allowing the token to bridge different games and blockchains. This enables cross-game economies and the seamless transfer of digital assets, such as NFTs and in-game items, enhancing the overall value proposition for studios and players. The PXPAI token also supports gamification strategies by underpinning rewards, challenges, and governance voting, empowering studios to engage players more deeply and build vibrant communities. Studios can choose to integrate the PXPAI token alongside their own in-game currencies or adopt it as their primary in-game medium.

Transaction fees are collected based on fair usage and market pricing, while the PXPAI token simplifies the ecosystem by acting as a unified medium for transactions, rewards, and payments. This reduces friction for users by navigating a complex environment of diverse currencies and blockchains. A token-based economy further enables scalability by standardizing value exchange across a global ecosystem of studios and players, streamlining onboarding and market expansion.

Finally, the token facilitates transparent revenue sharing and reward via smart contracts, ensuring studios and core operators of the platform automatically receive royalties and other

payments. By embedding trust and efficiency into the ecosystem, the PXPAI empowers all stakeholders to thrive within a collaborative, blockchain-powered gaming infrastructure.

Token raise

The public offering (First Offering) aims to raise US$1,875,000 through the issuance of 62,500,000 PXPAI tokens (6.25% of the total supply of 1 billion tokens) during the first token distribution round (December 2024 – June 2025). Each token in this round will be priced at US$0.03 (all token prices excl VAT). While the initial public offering targets the aforementioned amount, subsequent token offerings are anticipated in 2025 and beyond, subject to the success of earlier rounds and platform milestones.
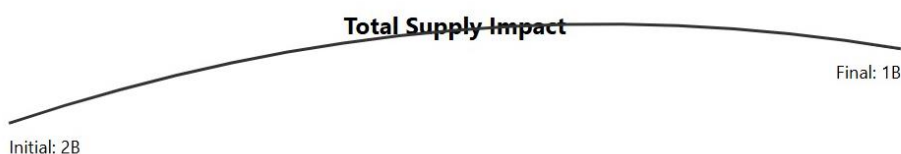
Future rounds are planned as follows:
- Second Offering (2025): Estimated issuance of 50,000,000 PXPAI tokens at an approximate price of US$0.04 to be confirmed pending First Offering.
- Third Offering (2025) including admission to Trading (2025) on an authorized CASP: Estimated issuance of 100,000,000 PXPAI tokens at an approximate price of US$0.06 to be confirmed pending Second Offering and listing partners.

With a full dilution profile as follows CHANGE TO 1 BN :

PXPAI Token Distribution and Burning Schedule

40%	35%	25%

| 2025 | 2027 | 2029 | 2031 | 2033 | 2034 |

5-Year Burning Schedule

30%	25%	20%	15%	10%

Total Supply Impact

Final: 1B

Initial: 2B

The First Offering aims to sell up to 62,5000,000 tokens to ecosystem participants such as gaming studios as outlined further below. There is a minimum subscription requirement for token purchase of US$1000 for this offering, but no minimum raise for the First Offering round. The entire 1 Billion tokens will be minted in the First Offering and of these, the First Offering will be allocated to purchasers upon acceptance of the token sale contract and receipt of funds, caveat a 14 day withdrawal allowance for retail participants as detailed below.

Funds raised during this phase will be used to expand the platform and enhance the utility of the token. While the offering has a target allocation of 62,500,000 tokens, the scalability of the project allows it to proceed effectively even with fewer tokens sold.

Prospective token holders

Jurisdictional note

The offering of PXPAI tokens is intended solely for participants residing in jurisdictions where such offerings are permitted under applicable laws and regulations. The PXPAI token is designed and expected to be classified as a utility token in accordance with the requirements of Regulation (EU) No 2023/1114 (MiCA) upon its effective date. This offering does not constitute, and should not be construed as, an offer to sell or a solicitation of an offer to buy PXPAI tokens in any jurisdiction where such activities are prohibited, restricted, or otherwise non-compliant with local laws, including jurisdictions subject to EU sanctions regimes or equivalent restrictions.

It is the responsibility of each participant to ensure compliance with all applicable laws and regulations regarding the acquisition, possession, or use of PXPAI tokens. By participating in this offering, prospective holders represent, warrant, and confirm that they are not a resident, citizen, or entity organized in, or otherwise subject to the laws of, any jurisdiction where participation in this offering is unlawful, restricted, or requires registration or licensing that has not been obtained.

Eligible participants for the PXPAI token offering

The PXPAI token offering is primarily designed to serve Ecosystem Participants who play a functional role or have an established relationship within the GameFi ecosystem. However, the offer is also open to retail customers who wish to access the token for its utility within the platform.

Ecosystem Participants

- Verified gaming studios and publishers: Studios using the platform for development, in-game integrations, or other operational purposes.
- Game developers, publishers and technology partners: Developers and partners contributing to the platform's technical infrastructure or GameFi capabilities.
- Platform contributors: Individuals or entities fulfilling a utility-driven role within the ecosystem, such as testers, community builders, or moderators.

Strategic Partners

- Select partners or entities: Partners contributing to the platform's strategic growth or operational development, such as advisors, infrastructure providers, or ecosystem enablers.
- Platform utility users: Participants who utilize the token for its intended platform-specific purposes.

Retail Participants

The PXPAI offering is also open to individual retail participants, provided they access the token for its defined utility within the platform. Retail participants may use the token for:

- Platform purchases: Acquiring in-game items, assets, or experiences.
- Governance participation: Voting on non-financial platform decisions as approved for the platform members as and when such functionality is implemented.

- Ecosystem rewards: Receiving tokens for engaging in gameplay related to platform functionality, participating in platform tasks, or contributing to testing initiatives.

Refunds and Withdrawals

Eligibility

Retail participants in this First Offering public offering of PXPAI tokens are entitled to a refund only under the following conditions:
- Retail participants have the right to withdraw their purchase within 14 days from signing a token purchase contract. A refund of the purchase price less pro rata share of Offering expenses as further detailed below will be issued for all contributions made by retail purchasers exercising this right in the currency used to contract.
- Ecosystem participant and Strategic partner investments are not eligible for refunds.

Refund Process

Withdrawal request submission: Retail customers wishing to exercise their withdrawal rights must submit a request via the designated platform portal or by contacting (finance@pixelpai.com) within the applicable withdrawal period of 14 calendar days.

Verification: Each request will be verified to confirm eligibility based on the conditions for withdrawal rights or offering cancellation.

Refund Timeline: Verification process: Withdrawal requests will be reviewed and verified within 5 business days.

Refund completion: Refunds will be processed and transferred to the original payment method within 10 business days following verification.

Refund method: Refunds will be made in the original form of payment.

Important Notes

Retail participants are responsible for ensuring the accuracy of refund request details, including wallet addresses or bank account information. Transaction fees such as blockchain 'gas' will be deducted from refund amounts for eligible withdrawal or cancellation cases.

For any questions or assistance regarding refunds, customers may contact our support team at (finance@pixelpai.com).

Phases, Discounts, and Investor Impacts in the Crypto-Asset Offering

Phases of the Offer

- First Offering: 62,500,000 tokens at US$ 0.03 public offering
- Second Offering: 50,000,000 tokens at US$ 0.04 public offering (tbc)
- Third Offering: 100,000,000 tokens at US$ 0.06 and admission to trading (tbc)

Discount Explanation

Discounts incentivize early participation and ecosystem building. Early buyers purchase tokens at lower prices, potentially gaining an advantage if token value increases in later phases. However, no promises are made regarding future listing or prices.

While there is a potential listing price mentioned in our tokenomics related to Round 3, this is not guaranteed. The token's price in later phases reflects the evolving utility and maturity of the platform. No guarantee or commitment regarding future exchange listings or token price is made. In addition, the second and third offering of the token are indicative only and subject to the successful completion of the First Offering. These phases will proceed only if the goals for the preceding phases are met. Each subsequent phase will be subject to a separate whitepaper, which will detail the specific terms, pricing, and target audiences. The terms for these future phases may be adjusted based on market conditions and project requirements.

Subscription period

The subscription starts December 24th, 2024 and closes at the latest of June 30, 2025 or when the offer is fully subscribed.

Safeguarding

Retail funds are safeguarded during the 14 calendar day withdrawal period. During this time fiat funds will be held in a segregated account with Danske Bank. Payments in eligible crypto-assets will be held in custody by Pixelpai ApS. After the withdrawal period expires, funds and assets not subject to refund obligations will be transferred to the offeror's operational accounts.

Upon receipt of funds and the execution of the purchase contract from ecosystem participants and strategic partners, Pixelpai ApS will issue PXPAI utility tokens directly to purchasers in accordance with the terms and conditions outlined in the purchase agreement. Tokens are minted and delivered using Pixelpai's custody infrastructure, ensuring a secure and efficient process with the required lockup agreed. As tokens are issued immediately upon the deposit of funds, there is no requirement for safeguarding assets. The funds received are considered payment for the delivered tokens, and purchasers gain full access to the tokens and the associated rights at the time of issuance. Pixelpai ApS does not provide a withdrawal period following token issuance. Purchasers agree to the terms of the purchase contract before completing their transaction, including acknowledging that tokens will be issued immediately upon receipt of funds and are non-refundable.

Methods of payment and methods of transfer

The token offer is in US$. The offeror accept fiat US$ (US Dollar), EUR (Euro) and GBP (Pound Sterling), the applicable IBAN/SWIFT address will appear in the token purchase contract. The offeror also accepts MICA authorized stablecoins (e-money tokens) and the following crypto-assets ETH (Ethereum). SOL (Solana) and BTC (Bitcoin) and POL (Polygon). The applicable wallet addresses will appear in the token purchase contract.

Time schedule of token transfer

Upon receipt of funds and execution of the purchase contract, PXPAI utility tokens will be minted and transferred directly to the purchaser's wallet. Tokens will be issued using Pixelpai's institutional-grade custody infrastructure, ensuring a secure and efficient process. The transfer occurs immediately after payment confirmation, typically within a few minutes, depending on the transaction processing time of the underlying blockchain. Purchasers will receive a confirmation email or notification once the tokens have been successfully transferred to their designated wallet which is issued by Pixelpai as a custodial wallet.

Technical wallet requirements

Purchasers of PXPAI tokens must meet specific technical requirements to securely hold and manage their tokens, depending on their choice of wallet type.

For custodial wallets provided by Pixelpai, purchasers are required to:
- Create an account on the Pixelpai platform.
- Complete the onboarding process, including identity verification (KYC) to comply with applicable regulations.
- Access their wallet via a stable internet connection and the Pixelpai platform, which is available through a web browser.

For non-custodial wallets, purchasers must:
- Use a blockchain-compatible wallet that supports PXPAI tokens issued on networks like Ethereum or other supported blockchains.
- Manage private keys or recovery phrases securely, as losing these credentials can lead to permanent loss of token access. Pixelpai cannot assist with recovering lost tokens.
- Cover any network fees, such as gas fees, for transactions involving PXPAI tokens.
- Complete KYC verification with Pixelpai before purchasing or transferring tokens, in compliance with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations. Once KYC is completed, PXPAI tokens can be transferred to the purchaser's non-custodial wallet address.

For all purchasers, regardless of wallet type:
- A device with sufficient processing power, such as a computer, is necessary to run wallet applications or access the Pixelpai platform.
- Robust security measures are strongly recommended, including secure passwords, multi-factor authentication (if available), and up-to-date antivirus software.

Marketing & Promotional activities

PixelPai will engage in targeted marketing efforts to raise awareness about the PXPAI token and its utility within the ecosystem. These efforts will include collaborations with influencers ('finfluencers & KOLs'), marketing agencies, and community leaders to educate audiences on the token's use cases and its role in enabling platform features. All marketing activities will comply with applicable regulations under MiCA and local advertising laws to ensure transparency and accuracy. Tokens allocated for marketing purposes will be distributed in alignment with the platform's goals of fostering long-term engagement and ecosystem growth.

To ensure responsible token distribution and prevent speculative behavior, tokens allocated to marketing recipients will follow a vesting schedule. Marketing partners will receive up to 25% of their allocated tokens upfront, with the remaining 75% vest quarterly over 6 to 12 months.

Additionally, an initial lock-up period of 3 months will apply to all tokens to discourage immediate sales and align with the platform's long-term growth objectives. Vesting may also be tied to performance-based milestones, ensuring that recipients remain actively engaged in promoting the platform and its ecosystem.

Expenses related to the Offer

The public offering of PXPAI utility tokens incurs various expenses essential to the successful launch of the token and the development of the Pixelpai platform. These costs are categorized into compliance, technology, marketing, professional services, and operational expenses.

- Compliance: These include implementing Know Your Business (KYB, Know Your Customer (KYC) and Anti-Money Laundering (AML) processes, utilizing third-party verification providers to ensure purchasers meet regulatory standards.
- Technology and infrastructure: Expenses cover blockchain minting and deployment fees, secure custody and management of PXPAI tokens, and the ongoing development and maintenance of the Pixelpai platform, including wallet services and transaction systems. Blockchain network fees, such as gas fees for token issuance and transfers, are also part of this category.
- Marketing and communication: Efforts include creating and distributing the whitepaper, conducting marketing campaigns to attract potential purchasers, and public relations initiatives to build trust and raise awareness about the token sale.
- Professional services: Legal, financial, and accounting services ensure the offering is conducted transparently and aligns with industry best practices and regulatory expectations. Advisors provide guidance on token design and economics to align the token with Pixelpai's broader objectives.
- Administrative and operational costs: Internal staff time, software tools, hosting services, and other resources required to manage the offering process fall under this category.

Conflict of interest

Pixelpai has established a comprehensive conflict of interest policy to identify, prevent, and manage any potential conflicts during the public offering or subsequent trading of PXPAI tokens. This policy ensures that all actions prioritize the interests of token purchasers and uphold the integrity of the process.

Currently, no material conflicts of interest have been identified among the parties involved, including Pixelpai's management, advisors, and external service providers. All participants in the offering are required to comply with the conflict of interest policy, which mandates full disclosure of any personal, financial, or professional interests that could influence decisions related to the token offering.

To further reduce the risk of conflicts, Pixelpai has implemented procedures to promote transparency and accountability, such as:
- Clear separation of roles and responsibilities to ensure key functions, including token issuance, marketing, and compliance, are handled by distinct teams or service providers.
- Decision-making on token pricing, distribution, and fund allocation guided by Pixelpai's operational roadmap and governance framework to minimize individual bias.

If any conflicts of interest arise during the offering or trading process, Pixelpai will promptly disclose them to all relevant parties along with the steps taken to address and resolve the issue.

This commitment to transparency reinforces trust and ensures fairness for token purchasers and stakeholders.

Law and venue

The offer to the public of PXPAI utility tokens is governed by the laws of Denmark. Any disputes arising in connection with the offering, the purchase of PXPAI tokens, or related matters shall be subject to the exclusive jurisdiction of the courts of Denmark with Copenhagen City Court as first instance.

Token classification

The PXPAI token is designed and classified as a utility token under the Markets in Crypto-Assets Regulation (MiCA) due to its core functionality within the PixelPai ecosystem. Below, we outline why PXPAI does not meet the criteria for classification as an E-Money Token (EMT), Asset-Referenced Token (ART), or a security under EU financial regulations.

PXPAI is not an E-Money Token (EMT)

Under MiCA, an E-Money Token (EMT) is defined as a crypto-asset intended to serve as a means of payment and pegged to a single fiat currency, such as the Euro. PXPAI does not meet this definition for the following reasons:
- PXPAI is restricted to the PixelPai platform and is only usable for platform-specific transactions, such as accessing services, participating in governance, or interacting with in-game features. It is not intended for use as a general-purpose payment token or for third-party services outside of the PixelPai ecosystem.
- PXPAI cannot be redeemed for fiat currency in the same way as e-money. It is not designed to function as a store of value or a widely accepted medium of exchange for everyday transactions.
- The token's primary purpose is to enable access to digital assets, services, and functionalities specific to PixelPai. PXPAI does not serve as a unit of account for activities beyond the ecosystem, reinforcing its role as a utility token.

PXPAI is not an Asset-Referenced Token (ART)

An Asset-Referenced Token (ART) under MiCA is defined as a crypto-asset pegged to a basket of assets, such as fiat currencies, commodities, or crypto-assets, with the purpose of maintaining value stability. PXPAI does not fall under this category for the following reasons:
- PXPAI is not pegged to any basket of assets or designed to maintain a stable value. Its value is inherently tied to its utility and demand within the PixelPai ecosystem, such as for accessing services, earning rewards, and facilitating platform-specific activities.
- PXPAI is not collateralized by or tied to external assets. Unlike ARTs, its function is purely operational and transactional within the ecosystem, rather than serving as a store of value or a stability mechanism.
- PXPAI serves solely as a platform utility token, it does not meet the definition of an ART under MiCA.

PXPAI is not a Security

Under EU financial regulations, securities are instruments that typically grant ownership rights, profit-sharing, or dividends to holders. PXPAI does not meet the characteristics of a security for the following reasons:

- PXPAI does not confer ownership, equity, or profit-sharing rights in PixelPai ApS or any associated entity. Token holders do not receive dividends, interest, or other financial returns from the platform or company profits.
- Rewards or incentives provided to token holders, such as staking (locking) rewards or discounts, are derived solely from platform participation and in-platform engagement, not from company profits. These rewards are operationally tied to the utility of the ecosystem rather than financial returns.
- PXPAI confers limited governance rights within the platform, allowing users to vote on non-financial decisions related to platform development and features. These governance rights are functional and do not grant control or ownership of the company.
- The token's purpose is to facilitate platform-specific transactions, access tools, and participate in gamified activities. It is not marketed or designed as an investment vehicle.

By focusing exclusively on operational utility and avoiding characteristics like ownership, profit-sharing, or financial returns, PXPAI is not classified as a security under EU regulations.

Key characteristics for future classifications

Name: PXPAI Utility Token.
Type: Utility Token.
Blockchain: Base – an Ethereum-compatible blockchain (e.g., ERC-20 standard).
Purpose: Facilitates access to platform services, discounts, and premium features.
Issuance Mechanism: Minted and issued upon receipt of payment during the token offering.
Storage: Can be held in custodial wallets provided by Pixelpai or non-custodial wallets compatible with the blockchain network.
This classification and supporting data will be submitted to the relevant register maintained under Article 109 of MiCA.

Functionality of PXPAI tokens
PXPAI tokens serve as a medium to unlock and enhance user engagement with the Pixelpai platform. The primary functionalities include:

Discount on subscription fees
Aside from the benefits outlined for Node operators, non-node operator token holders locking a minimum of 100,000 PXPAI tokens qualify for similar discounts on subscription fees for platform services, but not other node operator benefits and provided the required amount of tokens is locked in a custodial wallet with Pixelpai. This functionality will be available immediately upon token issuance.

Access to premium features
PXPAI tokens will unlock future premium functionalities on the Pixelpai platform, such as advanced analytics tools, embedded financial services, gamification-based rewards, and other features tied to the platform's development roadmap. These functionalities are planned to be introduced in phases, with detailed timelines communicated to token holders through platform updates.

PXPAI tokens can be used to unlock in-platform services, such as accessing additional services or participating in reward-based activities. This functionality will be enabled as features are developed and implemented. As Pixelpai expands its ecosystem, PXPAI tokens may enable interoperability between other partner platforms, subject to future roadmap developments.

<u>Planned Timing of Functionalities</u>
Short-Term (1–6 months): Integration of PXPAI tokens into premium analytics tools and gamification functionalities.
Medium-Term (6–12 months): Expansion into cross-platform compatibility and new features tied to roadmap milestones.

All functionalities will be implemented according to the Pixelpai development roadmap, which prioritizes security, compliance, and user experience. Updates on the availability of features will be provided to token holders through the platform and official communication channels.

Rights and Obligations of the PXPAI token holders

Overview

PXPAI tokens are strictly utility-based and intended for use within the PixelPai ecosystem. They grant holders specific benefits (e.g., subscription discounts, access to premium features, and gamification rewards) while also carrying responsibilities related to regulatory compliance and secure token management.

Rights of Token Holders

Subscription Discounts

Token holders are entitled to tiered discounts on platform subscription fees, determined by the number of locked PXPAI tokens. Discount tiers and locking requirements may be updated semi-annually or as needed.

Access to Premium Features

PXPAI holders can unlock advanced functionalities—such as AI analytics, governance tools, priority support, and compliance services—by locking or otherwise meeting usage criteria for PXPAI tokens.

Gamification Rewards

Holders may participate in platform-wide challenges, milestone rewards, or incentive programs. Eligibility for these rewards is announced at the onset of each campaign.

Node Benefits

Token holders operating nodes gain:

- Participation in liquidity pools and staking rewards.

- Service fee discounts (ranging from 10% to 50% based on node tier).

- Governance participation in platform developments and updates.

Obligations of Token Holders

Regulatory Compliance

Holders must comply with all applicable legal, tax, and regulatory requirements in their jurisdictions for acquiring, holding, or using PXPAI tokens. KYC (Know Your Customer) verification is mandatory under certain conditions (e.g., to unlock premium features or when regulatory thresholds are met).

Secure Storage and Management

Token holders are responsible for securely storing and managing their private keys. PixelPai is not liable for losses due to holder negligence or third-party wallet issues.

Proper Platform Use

PXPAI tokens serve as a utility token within the PixelPai ecosystem and are neither intended nor marketed as speculative investments or financial instruments.

Additional Node Operator Responsibilities

- Maintain the required minimum balance of PXPAI tokens for node operations.

- Comply with KYC and AML requirements to ensure platform integrity.

- Adhere to platform policies governing node functionality, liquidity pool participation, and updates.

Locked Tokens and Premium Features

Eligibility for Premium Features

To unlock subscription discounts and premium features, a specified number of tokens must be locked in the Pixelpai platform's embedded wallet. Locking requirements and amounts are periodically updated based on operational or technological improvements.

Usage of Discounts

Discounts apply automatically when paying with PXPAI tokens. Any remaining balance beyond the token portion must be settled in fiat or other accepted currencies.

Vesting and Milestone Unlocks

Premium feature access and certain rewards may follow a linear vesting model or be tied to platform milestones. This structure aligns token usage with ecosystem growth.

Early Withdrawal

Early unlocking or withdrawal of locked tokens may incur a penalty, which starts at a minimum of 25% and may be adjusted based on overall subscription participation and market conditions.

Modifications to Rights and Obligations

Conditions for Modification

Pixelpai ApS reserves the right to update or modify the rights and obligations associated with PXPAI tokens under these circumstances:

- Regulatory or legal requirements: Adjustments needed to comply with new or revised laws, regulations, or directives.

- Operational necessity: Changes required to maintain or enhance platform functionality, security, or scalability.

- Platform development: As the PixelPai ecosystem evolves, updates to token-related rights or obligations may occur to align with new features or services.

- Exceptional circumstances: Under force majeure events or significant technological disruptions, changes may be required to protect the platform's integrity.

For node operators, PixelPai also reserves the right to update node-related rights and obligations to address evolving regulatory requirements, technological advancements, or platform needs.

Procedure for Modifications

- Advance notification: Token holders will typically receive at least 30 calendar days' notice before changes take effect.

- Reason for changes: PixelPai will clearly state the rationale for the modifications.

- Token holder communication: Guidance will be provided to explain how changes affect existing token holder rights and obligations.

- No retroactive changes: Modifications do not operate retroactively; token holders retain any rights already exercised before the effective date.

- Token holder consent: For significant modifications, PixelPai may seek token holder consent if required by law or platform governance policies.

- Regulatory implications: Urgent changes required by law or regulatory authorities may be implemented without advance notice, with communication to holders as soon as possible.

Transferability

PXPAI tokens are transferable between parties once vesting, cliff, or lockup periods have lapsed, provided the recipient meets all relevant regulatory requirements (including KYC). However, certain functionalities (e.g., subscription discount tiers and premium features) require a minimum balance of PXPAI tokens to be held in a PixelPai custodial wallet by a verified user.

If tokens are transferred away from a wallet below the required threshold, the original holder forfeits associated benefits (e.g., discounts, premium feature access). PXPAI token holders transferring tokens must ensure the recipient completes KYC verification. PixelPai may restrict platform functionalities for non-compliant holders.

Token Distribution, Burn, and Utility Analysis

Overall Tokenomics

The total supply is 1,000,000,000 PXPAI, designed to support an active utility-driven ecosystem. A phased burn schedule reduces the supply to 500,000,000 PXPAI over five years, aligning with platform growth and mitigating inflationary risks.

Token Sale Structure

1. Round A (Private)
   - Allocation: 62.5M PXPAI (6.25% of total)
   - Price: US $0.03
   - Vesting: 6 months lockup + 6 months linear vesting
   - Utility Unlock: Early access to tools like the NFT Analyzer and basic compliance features
2. Round B (Private)
   - Allocation: 50M PXPAI (5% of total)
   - Price: US $0.04 (tbc)
   - Vesting: 6 months lockup + 6 months linear vesting
   - Utility Unlock: Advanced analytics and compliance features (wallet screening, KYC integrations)
3. Round C and Public Sale
   - Allocation: 100M PXPAI (10% of total)
   - Price: US $0.06 (tbc)
   - Vesting: None
   - Utility Unlock: Full platform functionalities, including advanced tooling for gaming studios

Post-Sale Allocation

- Platform Development & Growth (30%: 300M PXPAI)
  - Supports core development, scalability, and technical advancements.
- Ecosystem Rewards (25%: 250M PXPAI)
  - Incentivizes node operations and user engagement.
- Team & Advisors (10%: 100M PXPAI)
  - Vested over 36 months with a 12-month lockup.
- Marketing & Partnerships (8.75%: 87.5M PXPAI)
  - Builds community awareness and drives strategic partnerships. 75% subject to 6–12 months vesting.
- Platform Operations (5%: 50M PXPAI)
  - Funds ongoing operational needs and platform maintenance.

Burn Schedule (5 Years)

- Phase 1 (2025–2027)
  - Burn: 150M PXPAI
  - Result: 850M PXPAI remaining
- Phase 2 (2027–2029)
  - Burn: 125M PXPAI
  - Result: 725M PXPAI remaining

- Final Phase (2029)
  - Burn: 100M PXPAI
  - Final Supply: 500M PXPAI

Node System Contribution and Rewards

The PXPAI Node System is governed by a utility-based and operational contribution framework that ensures rewards reflect the relative value of contributions to the platform. Base rewards are determined by a combination of (i) Utility contribution where Nodes providing more complex or impactful services, such as governance participation or cross-chain analytics, are assigned higher base APYs; (ii) Platform activity weight where reward base levels are adjusted based on expected activity levels, with higher contributions receiving proportional rewards; (iii) Operational complexity which rewards Nodes requiring greater technical involvement or strategic impact earn higher rewards; (iv) Token lock requirements where the reward is a reflection on the locked token amounts for each tier requiring progressively higher token commitments to support liquidity in the platform. This approach ensures that rewards are fair, transparent, and scalable, encouraging active participation and meaningful contributions

Node Tiers

PixelPai offers three node tiers – Silver, Gold, and Platinum, each requiring a specific PXPAI stake and providing different rewards and responsibilities:

1. Silver Nodes
   - Purpose: Provide liquidity and basic transaction processing
   - Rewards: Based on liquidity contribution and transaction validation
2. Gold Nodes
   - Purpose: Enable advanced analytics and cross-chain functionality
   - Rewards: Reflect contributions to platform scalability and analytics modules
3. Platinum Nodes
   - Purpose: Governance participation and exclusive access to publish/monetize tools (e.g., AI solutions)
   - Rewards: Tied to custom tool creation and deeper operational contributions

Base Reward Tiers (Annualized)

Tier	Required Tokens	Estimated Base Rewards (%/Year)	Estimated Weekly Reward (PXPAI)
Silver	100,000 PXPAI	12%	230
Gold	250,000 PXPAI	15%	721
Platinum	500,000 PXPAI	18%	1,730

Rewards reflect each node's relative contribution to platform utility and operational complexity. Higher tiers require larger token commitments and deliver higher APYs.

Bonus Structure for Locking

Bonus Type	Silver Nodes	Gold Nodes	Platinum Nodes	Duration
Early Adoption Bonus	+2% (14% Max)	+2.5% (17.5% Max)	+3% (21% Max)	12 Months
Locking Bonus (24 Mo)	+2% (14% Max)	+2.5% (17.5% Max)	+3% (21% Max)	24 Months
Locking Bonus (36 Mo)	+3% (15% Max)	+4% (19% Max)	+5% (23% Max)	36 Months

Maximum Reward Potential

Tier	Base Weekly Reward (PXPAI)	Max Bonus Weekly Reward (PXPAI)	Total Weekly Reward (PXPAI)	Max APY
Silver Nodes	230	+46	276	15%
Gold Nodes	721	+180	901	19.5%
Platinum Nodes	1,730	+519	2,249	24%

Requirements and Conditions

Requirement	Platinum Nodes	Gold Nodes	Silver Nodes
Early Adoption Period	First 5 Nodes	First 10 Nodes	First 25 Nodes
Minimum Lock Duration	12 Months	12 Months	12 Months
Compounding Minimum	90% Rewards	85% Rewards	80% Rewards
Maximum Slots	20	40	100

The differences in maximum slots and compounding requirements reflect the operational complexity and resource contributions expected from each tier. Platinum Nodes, requiring the highest commitment in terms of tokens and technical involvement, are limited in number to maintain exclusivity and ensure that advanced services, such as governance and analytics monetization, are adequately supported. Gold Nodes strike a balance between contribution and scalability, enabling more participants while still demanding significant input. Silver Nodes, being the entry-level tier, have a broader capacity to encourage wider adoption and participation, aligning with the goal of ecosystem inclusivity.

Risk and Stress Testing Scenarios

Low Risk Scenario (Upside)
- Scenario: High node demand and strong platform adoption.
- Impact: Rewards align with meaningful ecosystem contributions, maintaining token utility and stability.
- Example: All 100 Silver Nodes, 40 Gold Nodes, and 20 Platinum Nodes are fully utilized, maximizing engagement.

Medium Risk Scenario (Baseline)
- Scenario: Moderate platform activity and node demand.

- Impact: Rewards adjust dynamically to match activity levels, ensuring balanced token circulation.
- Example: 75% of node capacity is used, with reduced engagement in some regions.

High Risk Scenario (Downside)
- Scenario: Low platform activity and minimal node participation.
- Impact: Enhanced incentives and marketing efforts prioritize ecosystem engagement and token adoption.
- Example: Only 50% of node capacity is used, triggering higher reward bonuses to stimulate participation.

Reward Calculation Algorithm

The PXPAI reward structure is governed by an algorithm that dynamically adjusts based on operational contributions, platform activity, and locked token durations.

1. Node Contribution Weight (NCW): This is a score assigned to each node based on its specific operational contributions. For example, nodes validating more transactions or contributing significant analytics output receive a higher weight.
2. Platform Usage Multiplier (PUM): This multiplier reflects the overall activity level on the PixelPai platform. It is calculated as a dynamic ratio based on the total number of active nodes, user transactions, and revenue generated by node-linked services during a given period.
3. Lock Duration Multiplier (LDM): This bonus multiplier rewards participants for locking tokens for longer periods. For instance, nodes with a 24-month lock receive a smaller bonus than those locked for 36 months.
4. Base Reward: A fixed percentage of tokens allocated monthly for node rewards as outlined above.

Formula:

$$Reward = (BaseReward + (NCW \times PUM)) \times (1 + LDM)$$

Example Calculations (Risk Scenarios)

- Low Risk Scenario (Upside):
    - Base Reward: 1,730 PXPAI (Platinum Node)
    - NCW: 1.5 (reflecting high contribution)
    - PUM: 1.2 (strong platform activity)
    - LDM: 0.05 (5% bonus for 36-month lock)

$$Reward = (1,730 + (1.5 \times 1.2)) \times (1 + 0.05) = 1,818 PXPAI$$

- Medium Risk Scenario (Baseline):
    - Base Reward: 721 PXPAI (Gold Node)
    - NCW: 1.2 (moderate contribution)
    - PUM: 1.1 (average platform activity)
    - LDM: 0.03 (3% bonus for 24-month lock)

$$Reward = (721 + (1.2 \times 1.1)) \times (1 + 0.03) = 747.27 PXPAI$$

- High Risk Scenario (Downside):
    - Base Reward: 230 PXPAI (Silver Node)
    - NCW: 1.0 (low contribution)

- PUM: 0.8 (reduced platform activity)
- LDM: 0.01 (1% bonus for 12-month lock)

Reward = (230 + (1.0×0.8)) × (1+0.01) = 232.63 PXPAI

This ensures rewards reflect actual contributions, promote fairness, and maintain the utility-driven framework of PXPAI.

# Information on the underlying technology

PixelPai is built on a modular and highly scalable distributed systems architecture. The platform is blockchain-agnostic and designed to support hybrid financial ecosystems, seamlessly integrating decentralized and centralized systems. Below, the core architecture and components are detailed, providing a comprehensive understanding of the technological foundation.

High-Level Architecture

PixelPai employs a two-tier distributed systems architecture, integrating state managers and a transaction manager for atomic, consistent operations:

1. State Managers:
    - Independent modules maintaining specific functionalities such as identity management, asset custody, payment processing, and trade management.
    - Each state manager operates independently, ensuring modularity, scalability, and fault isolation.
2. Transaction Manager:
    - Serves as a stateless coordinator for atomic transactions across state managers.
    - Utilizes a deterministic two-phase commit protocol to ensure consistency in multi-step operations (e.g., delivery-versus-payment).

This architecture ensures reliability, scalability, and modularity, allowing the platform to scale across diverse gaming ecosystems and integrate with multiple blockchains or legacy systems.
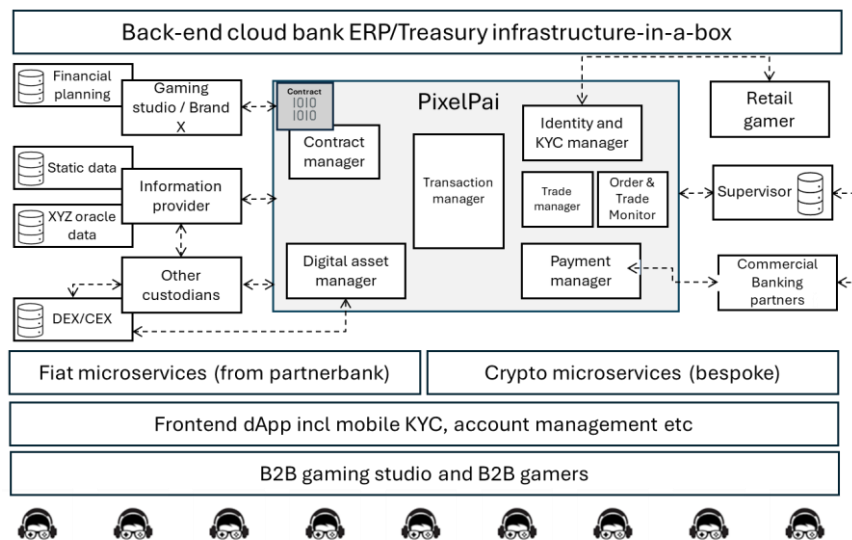
Core Technological Components

1. Identity Manager

The Identity Manager ensures regulatory compliance, security, and seamless user experiences through the following:

- AML/KYC Compliance:
  - Supports automated identity verification, including liveness testing, ID checks, and address validation.
  - Implements the Travel Rule to ensure compliance with FATF guidelines for virtual asset transfers, requiring the exchange of sender and receiver information with third-party VASPs.
- Identity Model:
  - Eventually enables single sign-on (SSO) across PixelPai's ecosystem and beyond, reducing user friction and interoperates with industry standards like OAuth 2.0 and OpenID Connect for secure cross-platform authentication.
- Blockchain-Based Identity:
  - Tokenizes user credentials on a decentralized ledger, creating an immutable, portable identity for users across dApps and games.
  - Supports digital certificates for verifiable credentials, allowing cross-platform trust without re-authentication.
- Message Authentication:
  - Every transmitted message is digitally signed to ensure provenance and non-repudiation.
  - Only authenticated entities can submit transactions, ensuring data integrity and preventing unauthorized modifications.

2. Contract Manager

The Contract Manager oversees the lifecycle of financial instruments and tokenized assets. It acts as a state machine tracking each instrument's state, ensuring compliance and reliability:

- Smart Contract Management:
  - Only audited smart contracts are deployed, ensuring security and compliance.
  - Tracks lifecycle events (e.g., payments, notifications) based on formal contract specifications.
- Event Validation:
  - Verifies incoming digitally signed events against contract rules.
  - Updates the ledger state, notifies subscribers, and synchronizes instrument status across the platform.
- Distributed Coordination:
  - Operates independently but coordinates with resource managers (e.g., payment and asset managers) for seamless execution of delivery-versus-payment (DvP) transactions.

3. Digital Asset Manager

The Digital Asset Manager provides a robust framework for secure and compliant custody and management of tokenized assets:

- Custodial and Non-Custodial Wallets:
  - Supports hosted wallets for gaming studios and gamers, ensuring regulatory compliance for custodial operations.

- o Integrates with non-custodial wallets to allow decentralized interactions without compromising compliance.
- NFT and Token Management:
  - o Facilitates minting, burning, and transferring of NFTs and utility tokens for in-game activities.
  - o Links assets to hosted vaults for seamless management within each studio's ecosystem.
- Cross-Platform Interoperability:
  - o Will leverage cross-chain bridges and IPFS integration to support asset transfers and metadata referencing across chains.

4. Payment Manager

As cash is tokenized on the platform, the Payment Manager serves as a middleware between external banking partners and the platform's digital asset framework:

- Transaction Logging and Reconciliation:
  - o Maintains a segregated ledger for fiat and crypto transactions.
  - o Tags each transaction with metadata for payment source identification (e.g., card or crypto).
- Daily Clearing and Settlement:
  - o Aggregates transactions daily for bulk settlement with sponsor banks.
  - o Ensures accuracy through automated reconciliation mechanisms.
- Integration with Vendor Solutions:
  - o Tracks and flags digital asset movements, ensuring alignment with payment activity for transparency and auditability.

5. Trade Manager and Monitor

PixelPai's trade manager and monitoring system provide real-time and ex-post oversight of in-game transactions:

- Bulletin Board Design:
  - o Operates an internal marketplace for information-only asset listings (not an exchange or trading platform under MiCA).
  - o Enables gamers to list and discover assets without hosting peer-to-peer trades.
- Market Abuse Detection:
  - o Configurable, stateless monitors to identify suspicious activities, such as wash trading or order spoofing.
  - o Future APIs for supervisory authorities aim to enable embedded supervision and regulatory compliance.

6. Transaction Manager

The Transaction Manager ensures atomicity and consistency across the platform's distributed modules where underlying blockchains do not capture finality:

- Two-Phase Commit Protocol:
  - o Phase 1 (Prepare): Verifies local commit feasibility across participating nodes.
  - o Phase 2 (Commit): Finalizes the transaction or triggers a rollback in case of failure.
- Scalability:
  - o Modular design allows seamless scaling with increased transaction volumes.
  - o Reduces vendor dependency, enabling self-managed operations for greater control.

7. Scalability and Performance Optimization

PixelPai's platform is designed for scalability, ensuring high performance as the ecosystem grows:

- Sharding and Parallel Processing:
  - Enables simultaneous transaction processing across multiple nodes, reducing bottlenecks.
- State Channels and Side Chains:
  - Supports off-chain high-frequency transactions for cost efficiency and scalability.
- Multi-Chain Interoperability:
  - Facilitates seamless integration with public and private blockchains, enabling cross-platform asset management.

8. Integration with Traditional Financial Systems

PixelPai bridges decentralized and traditional finance through the following features:

- Fiat On- and Off-Ramping:
  - Connects to banking networks and credit card processors for seamless fiat-to-crypto conversion.
  - Ensures funds are segregated and reconciled in compliance with MiCA requirements.
- Unified Asset Management:
  - Integrates fiat and tokenized assets within a single framework, simplifying transaction workflows for gaming studios and gamers.
  - TX monitoring ensuring AML compliance

Risks

Issuer risks

- Bankruptcy Risks: There is a risk that Pixelpai ApS could face bankruptcy, which would impact its ability to continue operations and deliver on the commitments of the project.
- Small Team: Pixelpai ApS relies on a small internal team, which may limit its ability to scale, innovate, or respond to challenges quickly.
- Financial Instability: Delays or failures in securing funding rounds could affect Pixelpai ApS's financial health, which is critical for sustaining ongoing operations, meeting development milestones, and achieving scalability.
- Legal and Regulatory: Pixelpai ApS operates in a highly regulated environment. Failure to comply with applicable laws or regulatory requirements could lead to investigations, enforcement actions, fines, or private litigation, potentially harming the company's reputation and operations.
- Internal Control: A failure to develop, maintain, or improve effective internal controls could harm Pixelpai ApS's business operations and erode trust among stakeholders.
- Market Presence: As Pixelpai ApS is still in the early stages of market development, its limited market presence and reliance on only a small number of gaming studios for product-market fit testing may delay the realization of significant revenue streams and market traction.

Market risks

- Competition: Highly competitive and saturated market with numerous established and emerging players can impact Pixelpai ApS' ability to attract customers and differentiate its offerings.
- Churn: High churn rate in free-to-play gaming may limit the adoption of compliance-heavy solutions. Market trends and behaviors, such as gamer retention, also directly affect the platform's success.
- Changing Industry: Pixelpai ApS operates in a dynamic and highly competitive industry with rapidly evolving technologies, market conditions, and fragmented regulatory landscapes, which may pose challenges to its business success.
- Niche Markets: The platform targets niche gaming markets, some of which may lack sufficient budgets for advanced compliance and blockchain solutions. This could limit adoption rates and growth opportunities.
- Cost: The onboarding process for gaming studios is resource-intensive, requiring substantial investment to meet technical and regulatory compliance needs. While the PXPAI token offsets some costs, it does not fully cover them, posing financial risks in the short term.

Crypto-asset risk

- Adoption: Risk of low adoption rates for non-custodial wallets due to complexity for mainstream gamers. This pertains to the usability and accessibility challenges of blockchain-based wallets, which could affect the utility token's adoption and utility within the ecosystem
- ESG: Pixelpai ApS issues PXPAI on various public blockchains, each of which operates using different consensus mechanisms. The environmental impact of these blockchains varies depending on the consensus algorithm used. Currently, PXPAI is not issued on blockchains utilizing the energy-intensive proof-of-work (PoW) mechanism. Instead, supported blockchains generally use proof-of-stake (PoS) or modified versions thereof, which significantly reduce environmental impact compared to PoW; more details on this below. However, future developments in environmental regulations may impose stricter sustainability requirements on blockchain technologies. If certain public blockchains are deemed environmentally unsustainable, Pixelpai's ability to issue PXPAI on those networks could be restricted, potentially impacting token distribution and platform operations.

Project risk

Operational

- Offshore team: Pixelpai relies on a remote technology team in Northern Macedonia for platform development. While experienced and familiarised with founder team, reliance on external expertise and potential geopolitical or legal issues could impact timelines and deliverables.
- Technology complexity: The platform integrates advanced systems like blockchain, compliance tools, analytics, and AI. Managing these systems can lead to delays, increased costs, or performance challenges, especially when scaling.

- Knowledge: Key technical knowledge resides with a small team. Loss of team members or the offshore provider relationship could disrupt ongoing development and support.
- Scalability: The current infrastructure is sufficient for early operations but may require significant investment to handle increased demand and maintain performance.
- Cybersecurity: Breaches exposing sensitive data or intellectual property could damage Pixelpai's reputation and result in regulatory penalties.
- Specialized skills: Dependence on specialized technical expertise makes recruitment and retention critical for innovation and development.
- External IT vendors: Reliance on third-party providers for compliance, payment, and asset management could impact operations if partnerships are disrupted.
- AML and CTF Risks: Crypto-asset wallets may be exploited for money laundering or terrorism financing, requiring robust controls to mitigate these vulnerabilities.

Compliance

- Regulatory uncertainty: Evolving regulations in the UK, EU, and globally could delay licensing, create compliance challenges, or increase operational costs. Diverging frameworks might also affect PXPAI's recognition and functionality.
- Taxation risks: Tax treatment of PXPAI depends on jurisdictions, with potential liabilities for token purchases or exchanges. Differing interpretations under MiCA could complicate tax obligations.

Reputation risk

- Scam Risks: Token holders face risks from phishing, fake airdrops, counterfeit PXPAI tokens, and impersonation scams. While security measures and user education mitigate these risks, they cannot eliminate them entirely.
- Limited Scalability: Success depends on adoption by niche markets and sufficient customer uptake, which may be limited by cost, awareness, or skepticism about blockchain technology.

Technology risk

- Scalability: Public blockchains may face congestion and slow transaction speeds during high demand, impacting the usability of PXPAI and platform services.
- Smart Contract vulnerabilities: Errors or exploits in smart contracts could lead to financial loss, service disruption, or reputational damage.
- Fork Risks: Blockchain forks can cause operational uncertainty, affecting PXPAI's validity or accessibility.
- Downtime: Public blockchains are vulnerable to outages due to bugs, attacks, or technical issues, disrupting PXPAI transactions and platform functionality.
- Regulatory: Evolving blockchain regulations may increase compliance costs or restrict certain blockchains, affecting PXPAI's issuance strategy.
- Environmental: While PXPAI aims to avoid proof-of-work blockchains, scrutiny over blockchain energy consumption may harm adoption and perception.
- Decentralization Risks: Concentration of control among a small number of validators or miners could undermine trust in blockchain security and integrity.
- Interoperability: Technical issues between blockchains may limit the seamless transfer and utilization of PXPAI across platforms.

- 51% Attacks: Smaller or less secure blockchains remain susceptible to majority control attacks, compromising transaction integrity.
- Irreversibility: Blockchain transactions cannot be easily reversed, making errors or unauthorized actions costly and difficult to resolve.
- Data: Security breaches could expose customer data, leading to reputational damage and regulatory penalties.
- Adoption: Studios may resist blockchain or token-based monetization due to broader market skepticism or attitudes.

Pixelpai recognizes the significance of these risks and has implemented a robust set of internal policies, procedures, and controls to mitigate their impact. This includes maintaining strict vendor management protocols, enhancing cybersecurity measures, investing in scalable infrastructure, and enforcing rigorous regulatory and compliance frameworks. Pixelpai has also established comprehensive training programs, KYC/AML procedures, and contingency plans to address operational, technological, and reputational challenges. By proactively managing these areas, Pixelpai aims to uphold industry best practices, ensure continuous improvement, and safeguard the interests of its stakeholders.

Climate impact

MiCA Art 6(1)(j) information on the principal adverse impacts on the climate and other environment-related adverse impacts of the consensus mechanism used to issue the crypto-asset.

The PXPAI utility token will initially be launched on Base, an Ethereum Layer 2 blockchain leveraging Optimistic Rollup technology. The underlying Ethereum network transitioned to a Proof-of-Stake (PoS) consensus mechanism in 2022, significantly reducing energy consumption by approximately 99.95% compared to its previous Proof-of-Work (PoW) mechanism.

Despite these improvements, Ethereum's PoS still consumes energy for its operation. The estimated annual energy consumption of the Ethereum network post-Merge is approximately 0.026 TWh per year, with a carbon footprint of 870 tonnes CO_2 equivalent/ per year (https://ethereum.org/en/energy-consumption/).

Base further optimizes environmental efficiency by batching transactions off-chain, reducing the computational demand on Ethereum's PoS network. This approach minimizes the environmental impact of individual transactions while maintaining robust security and scalability.

In the future, the PXPAI utility token may be deployed on additional blockchains to support the diverse needs of our gaming studios. For each additional non-EVM compatible blockchain, we commit to assessing and disclosing its environmental impact and incorporating measures to mitigate adverse effects.

<p align="center">--oo0Ooo--</p>