

Blockworks



Token Transparency Framework

A Score Of 35-40: indicates that the project has fully disclosed its revenue streams, equity to token holder rights, advisory service providers, and executive team personnel. Its token supply and allocation are characterized by transparent, onchain vesting with fair, well-documented distributions that align incentives between insiders and retail investors. Furthermore, the project has possibly shared comprehensive details on prior OTC rounds, committed to disclosing all material related-party transactions, and thoroughly explained its CEX and market-maker agreements. This score reflects a commitment to producing regular quarterly updates for token holders regarding financials, revenue streams, and operational progress.

A Low Score Below 25: A low overall score would indicate significant deficiencies and a lack of transparency across multiple critical areas. This would stem from opaque leadership, uncertain equity and token holder rights, and a heightened risk of a key person event negatively impacting the project. Such a score would suggest issues like undisclosed wallets, unclear vesting schedules, undeclared distributions from the Token Generation Event (TGE), and no clarity surrounding any new token launches. The project may have chosen not to disclose, or partially disclosed, critical information about prior OTC rounds, related-party transactions, and its agreements with centralized exchanges (CEXs) or market makers. Finally, the project possibly demonstrated little to no commitment to providing regular quarterly updates to its token holders concerning its financial health, revenue streams, and operational progress.

Project and Team: (Out Of 10) Reviews the people, governance structure, and conflict-of-interest controls that drive the protocol's day-to-day decisions.

- A max score indicates revenue streams, equity to token holder rights, advisory service providers, and personnel on the executive team are fully disclosed.
- A low score flags opaque leadership, uncertain equity to token holder distinctions, and heightened risk of a key person event.

Token Supply and Allocation: (Out Of 18) Assesses total supply, vesting schedules, and how tokens are distributed among insiders, the community, and the treasury.

- A max score signals transparent, onchain vesting with fair, well-documented allocations that align incentives between insiders and retail.
- A low score points to hidden wallets, unclear schedules, undeclared TGE distribution, and no clear future plans on new token launches.

Transactions & Market Structure: (Out Of 7) Examines trading liquidity, CEX and market-maker agreements, and related-party transactions that could influence price discovery.

- A max score displays that the protocol has shared details on prior OTC rounds, committed to disclosing material related party transactions, and generally explained CEX/MM agreements.
- A low score reveals that the protocol chose not to disclose or partially disclosed OTC rounds, related party transactions, and CEX/MM agreements.

Financial Disclosure: (Out Of 5) Looks at the reporting standards of the project's financials and operations

- A max score reflects a commitment to producing quarterly updates to token holders regarding financials, revenue streams, and operations.
- A low score means little commitment was made to produce quarterly updates on financials and operations.

Token Transparency Framework

Layer 3, July 2025

Blockworks Official Audited Score: 39/40

TTF Preparer: Brandon Kumar (Co-founder)

Date of Audit: 07/18/25

1. Project and Team

1. A) Description of Project

Definition: A narrative description of the purpose of the project and its operation in layman's terms is provided.

Weighting

- 0: A simple description is not provided.
- 1: A simple description is provided.

Submitted Response: Layer3 is a decentralized distribution network for onchain incentives. It enables protocols to programmatically acquire users and distribute tokens through campaigns, rewards, and reputation. Layer3 includes a multichain trade interface and integrated wallet, allowing users to earn, swap, and stake directly through the same system that drives protocol growth.

Score Received: 1/1

1. B) Disclosure of Revenue Streams

Definition: A narrative description of the Project's primary sources of revenue is provided, broken out by entity (e.g. Foundation, Labs, DAOs, or other).

Weighting

- 0: A simple description is not provided.
- 2: A simple description is provided.

Submitted Response: Layer3 generates revenue through both B2B and B2C channels. Protocols pay Layer3 to acquire users and distribute tokens through campaign infrastructure (B2B), while users pay fees to mint credentials and transact through Layer3's trade interface (B2C). All revenue is generated by the Layer3 Foundation.

Score Received: 2/2

1. C) Equity-Token Relationship

Definition: The Project must clearly disclose the rights, value accrual mechanisms, and distinctions between token holders and DevCo equity holders. Any value allocated specifically to equity holders (e.g., dividends, profit-sharing) must be communicated separately from value accruing to token holders.

Weighting

- 0: Rights and value mechanisms are unclear or undisclosed, or there is no distinction between token and equity holders.
- 1.5: Rights, value accrual, and differences between token and equity holders are clearly and explicitly defined with the constraints of existing regulations.
- 3: Rights, value accrual, and differences between token and equity holders are clearly and explicitly defined with the constraints of existing regulations. Team makes specific representations like "We do not plan to return cash flow to equity through including through dividends and share repurchases" or identifies that the Development Entity is not for profit.

Submitted Response: The Layer3 token is a governance and utility token issued by the Layer3 Foundation, a non-profit Cayman Foundation. Token holders have governance rights over the trajectory of the protocol and the community treasury, exercised through staking and participation in the Protocol Council. The Layer3 Foundation is the sole recipient of protocol revenue and holds full authority over how those resources are used to support the token and its ecosystem. All protocol revenue has historically accrued to the Foundation, and the Foundation is in the process of formally pledging all protocol earnings to Foundation-controlled wallets. Layer3 XYZ, Inc., a Delaware C-Corp, is a for-profit development company that serves as a service provider to the Foundation. Token ownership does not result in equity ownership in Layer3 XYZ, Inc. Layer3 XYZ does not control protocol governance, does not hold protocol revenue, and is not a recipient of protocol cash flows. There are no present or future plans to return protocol cash flow to equity holders through dividends, profit-sharing, or repurchases. Layer3 XYZ, Inc. also owns a majority interest in Astro XYZ, LLC (dba Lootbase).

Score Received: 3/3

1. D) Disclosure of Advisory Billings to the Foundation

Definition: If core team members are compensated by any Tokens allocated to the Foundation through advisory services or similar agreements, or by any other payment method (i.e. fiat), these payments must be disclosed. Note, foundation team members known and exclusively compensated by the Foundation are excluded.

Weighting

- 0: No acknowledgment or visibility of advisory payments from Advisory.
- 1.5: Advisory payments are mentioned, but details (amount, recipient, services) are unclear or incomplete.
- 3: All advisory payments to insiders are fully disclosed, including the recipient, scope, and amount.

Submitted Response: All core team members are employed by Layer3 XYZ, Inc., a Delaware C-Corp. The Layer3 Foundation, a Cayman Foundation, provides quarterly payments in stablecoins or fiat to Layer3 XYZ, Inc. to cover operating expenses and contributor compensation.

Score Received: 3/3

1. E) Known Project Team

Definition: The identities of key team members (e.g., founders, CEO, CTO, COO of Labs, President of Foundation, etc.) are publicly disclosed.

Weighting

- 0: No method to verify or prove the identities of key team members
- 1: A Method to verify or prove the public identities of key team members is provided.

Submitted Response: The identities of Layer3's co-founders and leadership team are publicly disclosed. Dariya Khojasteh and Brandon Kumar are visible on LinkedIn and X. Other key team members are publicly known through Layer3's official announcements, social channels, and blog content.

Score Received: 1/1

2. Token Supply and Allocation

2. A) Governance & Token Documentation Provided

Definition: The Project must provide publicly accessible documentation covering the Token's governance rights, rights to value accrual, any additional utility, and the mechanism by which token governance is implemented (e.g. an insider multi-sig).

Weighting

- 0: None of the three areas are documented.
- 0.5: Not all three areas are documented.
- 1: All three areas are clearly documented.

Submitted Response: Token's governance rights can be found here:

<https://docs.layer3foundation.org/governance>

Rights to value accrual and additional utility can be found here:

<https://docs.layer3foundation.org/tokenomics>

Mechanism by which governance is implemented can be found here:

<https://docs.layer3foundation.org/governance>

Score Received: 1/1

2. B) Initial Allocation

Definition: Disclosed information explaining the launch and initial supply that includes: the total number of tokens issued, the category of the recipient (team, investor, foundation, community), the total supply of the token and if it is capped, and the initial vesting schedule.

Weighting

- 0: No initial allocation schedule is provided.
- 1: An initial allocation schedule is provided, but some information is absent.
- 2: A complete initial allocation schedule is provided.

Submitted Response: The total capped supply of the L3 token is 3,333,333,333. The token launched in July 2025 with the following initial allocation:

Community: 51% (1.69B L3), unlocked over four years: 40% in Year 1, 30% in Year 2, 20% in Year 3, and 10% in Year 4.

Core Contributors: 25.3% (843M L3), subject to a four-year lockup with a one-year cliff, followed by 33% annual unlocks distributed monthly over the remaining three years.

Investors: 23.2% (773M L3), on the same vesting schedule as core contributors.

Advisors: 0.5% (16M L3), also on the same schedule as contributors and investors.

The initial circulating supply at TGE included 250M L3 (approximately 7.5% of total supply), distributed via Airdrop 1 and 2 to early users and community participants. All other allocations remain locked and vest according to their respective schedules.

Additional token details, including contract addresses across chains, are available in the Foundation's public documentation: <https://docs.layer3foundation.org/tokenomics>

Score Received: 2/2

2. C) Vesting Insider Tokens

Definition: All Insider Token allocations (team, investor, foundation) must be transparent, per the disclosed Initial Allocation. If vesting occurs at a custodian, clearly disclose the employee categories and associated vesting schedules clearly in your documentation.

Weighting

- 0: None of these areas are clearly documented.
- 1: Some of these areas are clearly documented.
- 2: Most of these areas are clearly documented.
- 3: All areas are clearly documented.

Submitted Response: All insider token allocations, including those to the team, investors, and the Foundation, are custodied with Anchorage. Vesting and unlock schedules are managed by LiquiFi and are fully reflected in the public tokenomics documentation: <https://docs.layer3foundation.org/tokenomics>

Core contributors are allocated 25.3% of the total supply, or 843 million L3 tokens. All tokens allocated to core contributors are subject to a 4-year lockup. During the first year, no tokens will be unlocked. Starting in the second year, 33% of the tokens will unlock annually, distributed monthly, with the final tranche unlocking at the end of year four. These tokens are held at Anchorage and managed via LiquiFi. Less than 0.5% of FDV has been issued to post-TGE employees, all on the same vesting and unlock schedule as pre-TGE contributors, with the vesting start date aligned to the beginning of their employment.

Score Received: 3/3

2. D) Labelled Unissued Token Wallets

Definition: Addresses that hold any Unissued Tokens (e.g. foundation, future contributors, treasury) must be publicly labelled (address listed in docs) and be held in distinct wallets. This includes the foundation allocation. The party (e.g. team, foundation, DAO) that controls the funds must also be disclosed.

Weighting

- 0: No wallets labeled. No ownership disclosure.
- 1.5: Some wallets are labeled, but the info is partial, unclear, or outdated. Categories may overlap.
- 3: 100% of relevant wallets are labeled and verifiable, with wallet ownership disclosed.

Submitted Response: All unissued tokens held by the Foundation are custodied in publicly labeled wallets managed via Anchorage or a Foundation-controlled multisig. These wallets are separated by allocation type (team, investor, treasury) and are not commingled. The Layer3 Foundation controls all of the following wallets:

Team Token Wallets (Anchorage custody):

0x2eA15816cB6e23d8d06FEaE5d08251FbB8643F59
0xbC6e8e247ccbA2FbEc21f687a1B8F8765DCe5B3b
0xa83DcC28C20E23D7643d5a365b5987588CC7c95a

Investor Token Wallets (Anchorage custody):

0xb0Ae0bBFf317c43101A1F412885e15b1FB34B935
0x607221d031DEC5B11B9E8c52032091e74ca3BdFd
0xE32E7837BdFaD6A7e178086629022CF0b871f7C8

Treasury Wallets (Anchorage custody):

0x097Af5F2CC49C9CC50aE8ef0B1C3A5Ee217e39A1
0x1daB0953E4D901679a072462BC4D972729B720E3
0x49b7590cBC5DD31CC6B42623AaD40eC6B23C6435
0x7901c007C3BB50aDCF58496040523dE752c3a961
0x25f4EDC2FFC90e6eF976AB771CEc07A23FAFb422

Treasury Wallet (Foundation multisig):

0x080cEf5db74741f4fF574e6715eB3A2EF9680828

All wallet addresses are documented and managed in accordance with Foundation oversight and operational security standards.

Score Received: 3/3

2. E) Airdrop Process

Definition: The project must disclose all airdrop eligibility criteria clearly and provide a full CSV list of recipients, including addresses and amount received.

Weighting

- 0: Airdrop process is opaque or arbitrary.
- 1: Some criteria are disclosed, but details are incomplete, unclear, or hard to access. The recipient list may be provided, but not in an auditable format.
- 2: All criteria are fully disclosed, and the recipient list is clear, accessible, and auditable.

Submitted Response: Layer3 conducted its initial airdrop in July 2024. The full CSV list of recipients, including wallet addresses and token amounts, can be found here:

<https://docs.layer3foundation.org/audits>

The distribution was allocated to community members based on a combination of historical and current activity across the Layer3 ecosystem. Eligibility factors included the number of CUBE credentials minted, levels and quests completed, consistent participation and achievements, daily GM interactions, and bridge and swap volume.

To qualify for the early user and Season 1 distribution, users needed to have minted at least 50 CUBE credentials by May 10, 2024, ensuring recent and active involvement. To qualify for the Season 2 distribution, users were required to mint the soulbound Trident NFT by July 22, 2024.

Score Received: 2/2

2. F) Locked Staking Reward to Insiders

Definition: Disclose information on insiders (Team, Investors, Foundation, Advisors) tokens that are locked and can earn rewards.

Weighting

- 0: None of these areas are clearly documented.
- 1.5: Some of these areas are clearly documented.
- 3: All areas are clearly documented.

Submitted Response: No unvested or locked tokens are held by recipients. These tokens remain custodied in Foundation-owned Anchorage accounts, and there is no mechanism by which they can be staked to earn rewards.

Score Received: 3/3

2. G) Future Token Issuance

Definition: The project commits that any future token issuance (e.g., minting or emissions outside scheduled vesting) will be publicly disclosed and justified on an official platform (e.g., governance forum, blog, or docs).

Weighting

- 0: No public disclosure of token issuance.
- 1: Issuance is announced but lacks detail, is disclosed late, or is not in a permanent, verifiable location.
- 2: All token issuances are disclosed before or at issuance with full details (amount, reason, recipient, context) in an official, permanent public channel.

Submitted Response: The L3 token contract has a fixed supply (3,333,333,333 L3), which is verifiable onchain. The project further commits that any future token issuance or changes to supply mechanics will be publicly disclosed and justified through an official channel such as the governance forum, blog, or documentation.

Score Received: 2/2

2. H) Future & Related Token Launches

Definition: The team discloses all tokens launched by its key team members in the past and explicitly lays out its philosophy around launching new tokens, related to the project or otherwise. (e.g. "We do not plan to launch additional tokens" or "Any additional tokens will be given 1:1 to existing token holders who can then vote on proposals submitted by the management team.")

Weighting

- 0: Language around new tokens is vague, non-committal, or missing entirely.
- 1: Plans around additional tokens are defined clearly. The team explains its past reasoning around token transactions and bridges from these transactions to its existing policy.
- 2: The Team represents that it will not launch additional tokens.

Submitted Response: There have been no other tokens issued by Layer3 core team members in the past. Layer3 represents that it has no plans to launch another token and commits to publicly disclosing any change in strategy should that ever occur.

Score Received: 2/2

3. Transactions & Market Structure

3. A) Insider & Related Person Transactions

Definition: The project commits to disclosing any material Related Party & Insider Transaction within 30 days and includes: The nature of the transaction, the Related Person, the basis on which the person is a Related Person, and the number of tokens involved in the transaction. This includes tokens issued by the foundation.

Weighting

- 0: The project does not commit to disclosing related party transactions within 30 days.
- 3: The project commits to disclosing related party transactions within 30 days.

Submitted Response: The project commits to disclosing related party transactions within 30 days.

Score Received: 3/3

3. B) Prior Token Sales & Fundraising

Definition: Disclosed information of previous fundraising rounds, material OTC rounds to investors, or discounted market maker sales involving the Project and its Token that includes: the date of sale, number of tokens sold, and the vesting schedule of these tokens. The Project commits to disclosing any material OTC deal involving token sales and purchases by the foundation within 30 days.

Weighting

- 0: No prior sales are disclosed.
- 1: All prior sales are disclosed, but terms are absent.
- 2: All prior sales are disclosed with terms provided.

Submitted Response: Layer3 raised a \$2.5M seed round in 2021 at a \$27M fully diluted valuation. These investors have a 3-year unlock schedule beginning on July 30, 2025.

In 2022, Layer3 raised a \$3.7M seed extension at a \$100M fully diluted valuation, with the same 3-year unlock schedule beginning on July 30, 2025.

The Series A raised \$15.3M at a \$140M fully diluted valuation, also with a 3-year unlock beginning on July 30, 2025.

Layer3 also conducted a private sale that raised \$7.7M between Q4 2024 and Q1 2025 at a blended \$200M fully diluted valuation. These investors have a 1-year unlock.

Score Received: 2/2

3. C) Transparent Market Maker Deals & Exchange Listings

Definition: Projects must disclose key details of market making and centralized exchange agreements affecting token liquidity, including: names of all market makers & centralized exchanges involved, the token allocation for each (as % of total supply), and the duration of each agreement.

Weighting

- 0: No public information on market makers (MM) or centralized exchanges (CEX)
- 1: Some MM or/and CEX details are disclosed, but not all three elements are provided.
- 2: All three key elements are fully disclosed for MM & CEX.

Submitted Response: The Layer3 Foundation has made token loans to two firms that provide centralized exchange liquidity, Amber and Lo:Tech. Total loans outstanding amount to 33 million tokens. Liquidity is provided across multiple exchanges, including Coinbase, Bybit, Bitget, Gate, KuCoin, MEXC, among others. The agreements are each 12 months in length.

Strict monitoring by a third-party specialist (Coinwatch) is in place to verify the use of loaned tokens, including idle balances. The Foundation commits to publicly disclosing any changes to these arrangements, including counterparties, amounts, or terms, as they occur.

Score Received: 2/2

4. Financial Disclosure

4. A) Disclosure of Assets and Cash Flow

Definition: The Project commits to providing updates to token holders on a quarterly basis via forum posts, live dashboards, or reports that cover core project KPIs, changes to Token supply or allocations, and disclosure of top line revenue and expenses. The Project may engage third-party contractors to prepare and deliver these updates.

Weighting

- 0: The project does not commit to disclosing Token Holder Relations Reports.
- 3: The project commits to disclosing Token Holder Relations Reports.

Submitted Response: Layer3 commits to providing quarterly updates to token holders through a combination of public dashboards, governance forums, and blog posts. These updates will include core project KPIs, changes to token supply or allocations, and disclosures of top-line revenue.

Score Received: 3/3

4. B) Public Token Holder Relations Reports

Definition: The foundation's assets or working capital are held onchain and publicly labelled, providing the ability to track asset holdings, revenue, and expenses. Or, the foundation publishes a quarterly, publicly available financial report of its assets, working capital, revenue and expenses.

Weighting

- 0: Foundation wallets are not publicly labeled.
- 1: Treasury wallets are tagged, but revenue and expense flows are incomplete or fragmented.
- 2: Wallets that touch any assets and revenue streams are labelled onchain, with clear, traceable expenses. Quarterly reports detailing assets, revenue, and expenses are provided.

Submitted Response: Layer3 reports protocol revenue via its public Dune dashboard (<https://dune.com/l3/layer-3-overview>). All Foundation-controlled wallets and assets are publicly labeled and disclosed (refer to the response in 2D). Layer3 also commits to providing regular token holder reports, including asset holdings and other financial information (refer to the response in 2A).

Score Received: 1/2