

AVATU

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AVATU

Abstract

Nothing has shaped modern human life on this planet more than electricity. It powers our homes, our appliances, our heating and cooling systems, our electronics, our computers, our phones and the internet. It powers industry, science, research, hospitals, agriculture, manufacturing, construction, and public transportation.

Electricity is so essential that we only realize how dependent we are on it when it is no longer available. As recent historic events have shown, including fires, floods, hurricanes and other severe weather events, our power grids are vulnerable to failure. They are built on aging and inadequate infrastructure.

We are in the midst of a gigantic infrastructure shift in the United States, indeed around the world. New distributed power systems are being deployed including ones that promise cleaner and greener power generation.

Whether these systems rely on the legacy electrical power generating systems or they are increasingly dependent on solar and wind, there are issues that we need to face in order to meet higher and higher demand from across the country, from individual households to large scale manufacturing to research hospitals.

Avatu is a new kind of company, one that seeks to address issues around the reliability and dependability of energy distribution. As increased demand for electricity continues to spike and the current grid is unable to handle the pressure, Avatu has a solution that will democratize the distribution of energy and create an entirely new market within the electrical distribution ecosystem.

Avatu has created the Magic Box, an internet-connected device that is built on blockchain infrastructure and a token economy, that is designed to incentivize and drive a consumer-deployed scalable micro battery energy storage system. A distributed network of Magic Box owners, managed through a central platform, the Avatu infrastructure and token economy is designed to address current market issues and incentivize individuals to participate in the larger power grid system.



A Fragile Power Grid

The United States is experiencing obvious strains on the power grid. Aging and inadequate infrastructure across the United States has been affected by weather, fire and other catastrophic events as well as climate change, leaving consumers without power for extended periods. Blackouts, rolling blackouts and brownouts interfere with life, business and the health and wellbeing of the population.

California, for example, is suffering on many levels. From local utilities instituting “fire safety power shutoffs” leaving hundreds of thousands of residents in Northern California without power¹ to heatwave related strains on local power grids necessitating the implementation of service throttling resulting in rolling blackouts² to wildfires,

In fact, the November 2018 CampFire, one of the deadliest wildfires in American history, burned through eight football fields per minute, resulting in loss of life³ and property damage of upwards of USD 8.47 billion⁴. The entire town of Paradise was extinguished. Officials attributed the cause of the fire to a nearly 100-year-old electrical transmission line owned and operated by PG&E⁵ that has been blamed for over 1,500 fires since 2014⁶.

New York City, the most densely populated city in the country, has experienced its fair share of issues related to the power grid. In July 2017, a power outage on the West Side of Manhattan, resulted in some 73,000 customers losing power, creating train delays, halting traffic on major roadways, and shutting down subway service at four stations⁷. The outage was caused by the blowout of a 13KV feeder cable which should have been isolated by redundant protection systems in order to save the grid from collapsing.

- 1 For California, massive power blackouts could become a way of life, A. Johnson, NBC News, Oct. 2019
- 2 California releases final root cause analysis of August rolling blackouts, C. Morehouse, Utility Dive, Jan. 2021
- 3 Official CampFire tally is 85 deaths, but we found 50 more, C. Von Kaenel, The Mercury News, Feb. 2020
- 4 The High Cost of Wildfire in 2018, M. Foley, NFPA Journal, 2019
- 5 Camp Fire: By the Number, P. Boghani, PBS Frontline, Oct. 2019
- 6 Investigators confirm that PG&E power lines started the deadly Camp Fire, A. Robertson, The Verge, May 2019
- 7 Power Restored to Manhattan’s West Side After Major Blackout, J. Barron, M. Zaveri, The New York Times, J. Barron, M. Zaveri, The New York Times, Jul. 2019



Seen from the air, a large section of Manhattan's Upper West Side and Midtown neighborhoods sit coated in darkness during a partial blackout on July 13, 2019. Photo: Scott Heins/Getty Images

In 2019 in Brooklyn, Con Edison, one of the world's largest energy delivery systems, had to "throttle" service in certain neighborhoods which resulted in the loss of power by roughly 50,000 customers across the borough. Con Edison blamed a recent heat wave for the strain on the system, saying that the throttling was necessary to protect vital equipment⁸.

In February of 2021, a severe winter storm in Texas brought the electric grid to its knees, resulting in the loss of power by 4.5 million households at its peak, the largest and longest such outage recorded in U.S. history. And, according to state health officials, more than 100 lives were lost. Investigators say the failure of the grid could have been prevented. The power-generating companies knew that shortcomings within the infrastructure were vulnerable to extreme temperatures. In fact as early as 2014, power plants owned by Luminant, the largest producer of power in Texas, nearly failed after a frigid storm caused on-site generators to stop working more than a dozen times in 12 hours⁹. Because the cost of necessary upgrades would have reduced the profits of Luminant and other state energy producers, no changes were implemented, despite regulatory pressure to do so.

⁸ Con Ed Intentionally Cut Power To Swaths of Brooklyn Amid Heat Wave, J. Offenhartz, Jul. 2019, Gothamist

⁹ "Power companies get exactly what they want": How Texas repeatedly failed to protect its power grid against extreme weather, J. Schwartz, K. Collier, V. Davila, The Texas Tribune, Feb. 2021

Lack of Flexibility with Renewable Energy

While aging and poorly maintained infrastructure is one problematic aspect for the distribution of power in the United States, another is the lack of flexibility of renewable energy. Wind, solar, biomass and geothermal sourced power are generated on an intermittent basis, making it difficult to provide grid stability by matching output to demand.

In Hawaii, one out of every eight homes are equipped with solar panels. While this sounds great on paper, it results in an overproduction of power on sunny days. The state cannot use nor can it store that power, letting that power go to waste. In some states, utilities pay wind farms to shut their turbines down on blustery days because the grid can't handle the power surge¹⁰.

Thus, power cannot be delivered when it is needed. For solar, power is generated during the day, but in many households, maximum consumption occurs at night when residents use their lights and appliances. For wind, power is unpredictable, and timing its use is an impossibility. Both sources of renewable energy pose challenges for systems that require a reliable and instantly deployable source of power.

In terms of biomass facilities, while they may have a stockpile of wood chips on hand, the amount of power they generate can vary widely due to inconsistencies of the output of the fuel itself. Geothermal facilities rely on natural phenomena, which cannot be controlled. In fact, the same can be said for wind and solar. These solutions cannot be activated as demand arises and produce power on a "take or leave it" basis. Furthermore, compounding the issue, these facilities often operate in remote areas with limited or no staff onsite. At this point, there has been no holistic way to collectively store and bank the power produced by such intermittent sources.

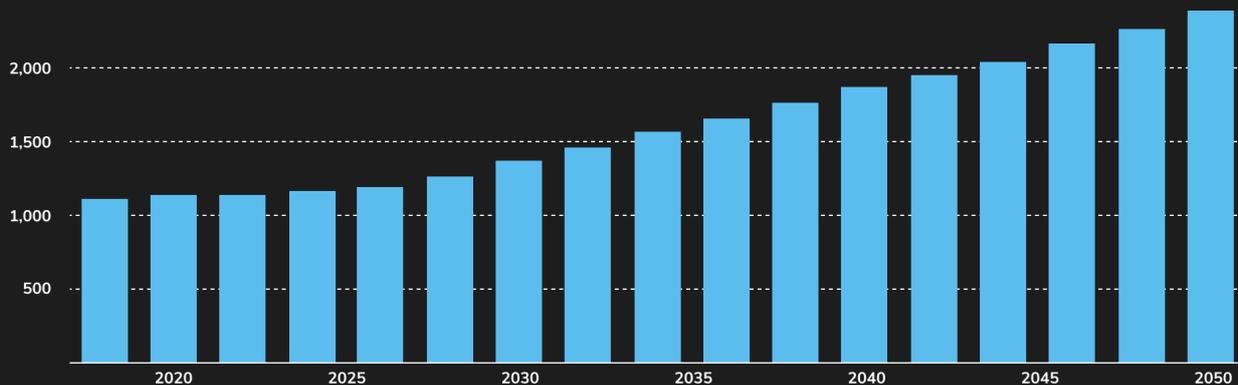
10 [Aging And Unstable, The Nation's Electrical Grid is 'The Weakest Link', D. Davies, NPR Fresh Air, Aug. 2016](#)

Transition to Electric Vehicles

Electric Vehicles (EVs) have become the number one alternative to combustion engines. According to analysts from Edmunds, a leading auto publication, there will be 30 EVs from 21 different companies by the end of 2021, up significantly from the prior year with just 17 models from 12 companies¹¹. In 2020, global sales of EVs reached approximately 2.5 million units with an expected increase of 70% in 2021¹². While these figures show a rapid growth and adoption of EVs globally, they currently represent less than 1% of all vehicles on the road today¹³. This number is expected to grow rapidly over the coming years, especially due to legislative pressures from governments all over the country.

Estimated U.S. capacity if 66% of all cars are EVs by 2050

Gigawatt electric capacity needs to double to power 186 million light-duty EVs in 2050



Note: Capacity in GW is rounded; 2018 is the base case, all other years estimated; data assumes the share of electricity also increases for space and water heating, industrial curing needs by 2050, but vehicle electrification dominates incremental demand growth
Source: The National Renewable Energy Laboratory's Electrification Futures Study, Jan 2021

The National Renewable Energy Laboratory (NREL) estimates that total grid electric capacity and production must double within the next 30 years to accommodate the estimated 186 million light duty EVs expected to be on the road by then. "The electrification of the transportation sector will catch most utilities a little bit off guard," said Ben Kroposki, director of the Power Systems Engineering Center at NREL.

Why? The majority of EVs will be utilized during peak traffic times, i.e., the daily commute. Thus, charging demands will be indexed into very specific timeframes causing strain on the nation's grid. And while many utility companies currently charge different rates, depending on the time of day, in an attempt to flatten the demand utilization curve, the impact of EVs will only exacerbate this dilemma.

¹¹ Edmunds Says 2021 Will Have Record US EV Sales, J. Sensiba, Clean Technica, Feb. 2021

¹² IHS Markit forecasts global EV sales to rise by 70% in 2021, K. Adler, IHS Markit, Jan. 2021

¹³ Electric Cars Are Coming, and Fast. Is the Nation's Grid Up to It?, B. Plumer, NYTimes, Jan. 2021

Rising Costs to Consumers

With the expected increase in power consumption, investments must be made into the current grid infrastructure. Such investments are already being approved by state regulators. In fact, in January of 2020, regulators in New York State approved a USD 1.2 billion rate hike over the next three years for customers in New York City and Westchester. This amounts to a peak increase of 8.8% annually in certain parts of Manhattan and the Bronx. If that wasn't enough, New Yorkers already pay 40% more for electricity than the rest of the country¹⁴.

In parts of California, reinvestment into an aging grid, primarily in regions operated by Pacific Gas and Electric (PG&E) which filed for bankruptcy in January of 2019, will result in unstated "double digit" rate increases to its customers. In the past decade, PG&E rate increases have exceeded inflation by 31%. Some public utilities providers such as San Diego Gas & Electric have increased rates even more aggressively. But that is about to pale in comparison to the rate hike proposed by Southern California Edison to the California Public Utilities Commission, which is asking for a 14.4% rate increase to USD 0.207 per kWh.

How will the cost for the grid upgrades necessary to handle the additional EV strain be paid for? According to Boston Consulting Group, a model utility with three million customers, would have to invest USD 5,800 in grid upgrades per EV through 2030. Assuming 40 million electric vehicles on the road, that investment could reach USD 200 billion¹⁵. According to California's utility regulator. This investment is likely to be passed on to consumers in the form of higher energy bills. To exasperate the situation, low-income families won't be able to make the upfront investment in electric vehicles, home batteries and rooftop solar systems to offset those costs. Yet, their bills will increase. Not only will they pay their share of the cost of upgrading the infrastructure, they will pay more for electricity usage during peak EV charging hours, even as they use their standard household appliances.

Household consumers have little in the way of say or solution to such sweeping expenses incurred by their utilities. Until now.

14 Here's Why Your Con Ed Bill Just Got Higher, J. Offenhartz, Gothamist, Jan. 2020

15 EV rollout will require huge investments in strained U.S. power grids, N. Groom, T. Bellon, Reuters, Mar. 2021



Solution

Avatu is an emerging provider of energy-related services. Avatu mitigates the issues of a fragile and failing power utility network, inflexibility of renewable power, and high-power consumption costs to consumers through a democratized energy system powered by a token economy.

The Avatu ecosystem is designed to scale with global demand as its network can function anywhere electricity is generated and consumed. Avatu is designed to enhance demand-based power generation at a moment's notice, rewarding Magic Box owners, via the company's token economy.

What is the Magic Box?



The Magic Box

The Magic Box is an internet connected (IoT) 1kWh battery based on lithium-ion chemistry, designed to discharge at 250Wh for a period of 4 hours.

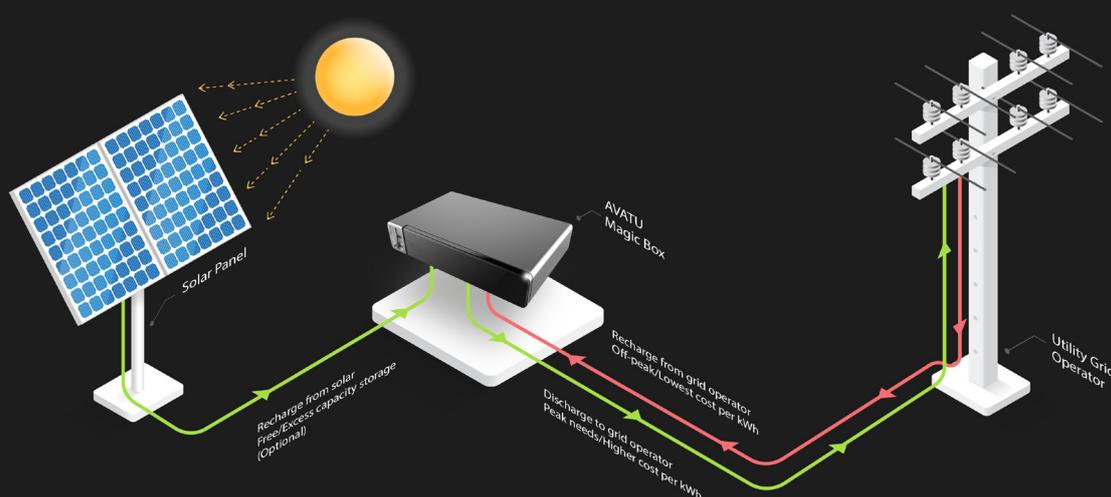
The Magic Box is at the core of the Avatu platform and is designed for use by residential consumers. Avatu will initially support US-standard 110VAC outlets with eventual, future support for other international voltage and outlet types.

The Magic Box simply plugs into a standard power outlet and is connected to a home's available wireless network. From there, it will be linked to the Avatu mobile or desktop application, enabling real-time monitoring and allowing its owner to perform energy mining in order to earn tokens. A full explanation of the token economy is provided in later sections of this paper.

How it Works

Think of Avatu as a network of batteries powered by a blockchain-based infrastructure and token economy.

As more residential consumers acquire and install Magic Boxes in their homes, the combined energy storage capacity increases in a meaningful way. This network, the Avatu Power Bank, becomes a player in the grid ecosystem, along with independent system operators, utility companies, energy traders and energy producers. The aggregate stored power within the Avatu Power Bank becomes useful when existing networks are strained, for example, due to overuse during a heat wave or when power generation is reduced due to inclement weather.



On the other side of the equation, Magic Boxes can be programmed to recharge during times when there is an overcapacity of power on a grid's network, such as when wind farms are producing at their peak or when solar is generating excess power to the grid. During these times, the cost of electricity is typically at its lowest, while supply is high relative to demand. Thus, Avatu is able to coordinate the recharging of a potentially large citywide, regional or even global network of Magic Boxes when electricity costs are the lowest and deploy stored power when costs are the highest. This arbitrage is a vital piece of revenue generation of the Avatu platform.

Magic Boxes are intelligent IoT devices, controlled by intuitive software. The Avatu platform communicates with the entirety of its deployed Magic Boxes, coordinating the delivery of stored power, when it is needed the most, and with a high degree of precision. Avatu works in a variety of scenarios, from heatwave induced brownouts, to daily time-shifting needs when exacerbating conditions may not be present but standard differentials in energy costs are still available.

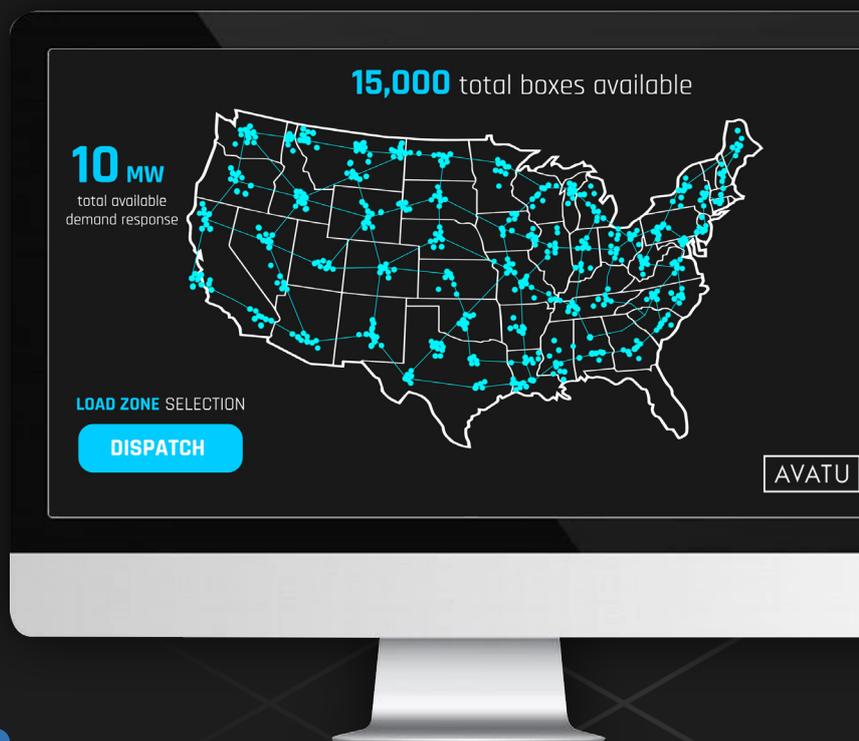
Use of Blockchain Technology

Avatu's business model is based on the ability to deploy stored power, on demand and at a moment's notice. To assure a high degree of confidence that its deployable power is available and accurate, Avatu will employ a carefully managed decentralized model to ensure uptime and reliability through a proof-of-availability (PoA) consensus algorithm.

Each Magic Box is programmed via firmware to establish a direct link to the Avatu native blockchain layer, called \$AVATUChain. From here, each device will regularly report its status from its total charge state to time in use to uptime statistics. Each unit is assigned a unique public identifier and private key in an asymmetric cryptography system, ensuring that each device's information is recorded to \$AVATUChain in a trustless, secure and reliable manner. Magic Box operators are required to secure their deployments with a stake of \$AVATU tokens to support the PoA consensus algorithm. Energy miners that continuously report erroneous or malfeasant activity records will be penalized against their \$AVATU stake, eliminating the economic incentive to cheat.

To facilitate rapid deployment, and the most efficient path to network activation, \$AVATUChain will initially be designed as a private-permissioned network of nodes deployed and operated by the Avatu platform. Over time, we will expand this to a consortium model of decentralized and distributed participants, before opening it up to a public network entirely. The requirement to incentivize node operators for their participation will be supported in our token economic model. However, in its initial centralized deployment model, Avatu will be responsible for network maintenance and the costs for upkeep.

\$AVATUChain will be based on Quorum, which represents the benchmark in open-source, Byzantine Fault Tolerant, permissioned blockchain networks.



MAGIC BOX CONTROLLERS

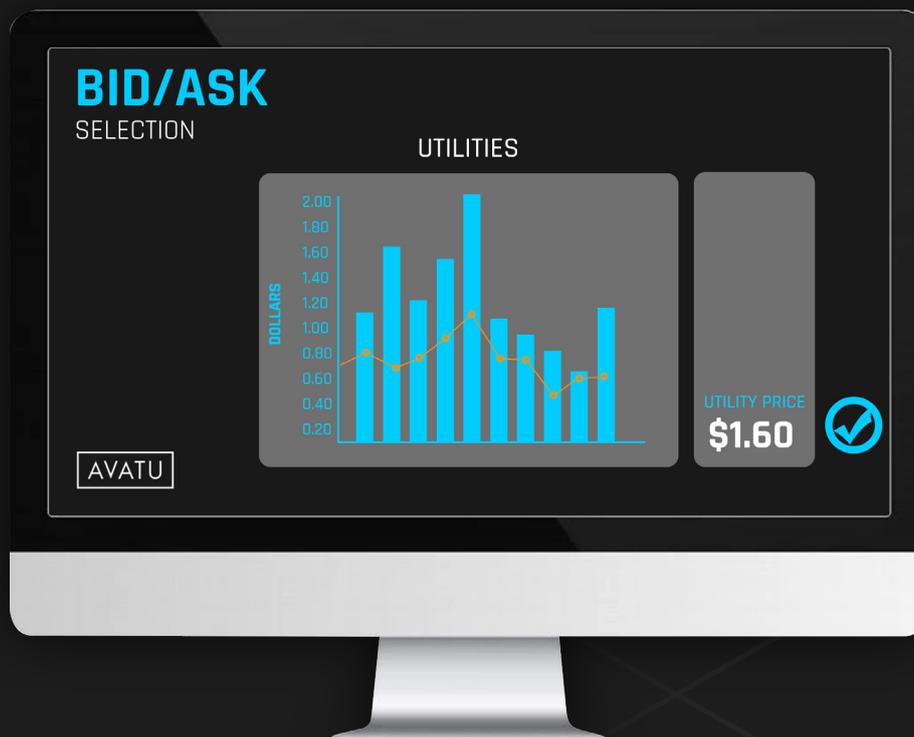
As an extension of our blockchain technology, Avatu will pursue the development of Magic Box Controllers that can integrate with existing battery technologies, allowing them to leverage Avatu's infrastructure. This enables other battery energy storage manufacturers, or currently deployed battery systems, to utilize Avatu's platform for a fully automated and managed ecosystem. Such battery systems partners can leverage the scale of Avatu's network and customer base, while also participating in our token ecosystem.

HELIUM NETWORK INTEGRATION

Magic Boxes may optionally include support for LoRaWan wide-area network for compatibility with networks of the same topology, namely Helium network. This offers Magic Boxes the ability to operate in site deployments that may not have nearby WiFi but are within reach of an access point deployed on the Helium network.

Helium Network requires payment for use, however costs are currently minimal, with about \$0.00001 per 24 bytes of data. Helium Network payments are typically made in their native token HNT, however Avatu will create an \$AVATU-HNT bridge which will allow Magic Box users to pay network usage fees on Helium using \$AVATU token.

Avatu is a low bandwidth, low-data requirement device that only transmits certain information such as current battery state, on and off commands, and other information such as discharge rate, battery health, blockchain ID, etc.



Benefits to Magic Box Owners

Avatu's mission is multifaceted. Magic Box owners will derive a consistent revenue stream from their deployment, while at the same time, contributing to the needs of a municipal or regional power grid. Beyond this, the Magic Box will also serve as a robust resiliency solution, providing uninterrupted power to important household devices, such as critical network electronic devices, in the event of a power failure.

In terms of economics, Magic Boxes are more approachable for the end consumer vis a vis other clean power resources, such as solar, or the purchase of an electric vehicle. They are less expensive, are deployed simply by plugging them into standard household outlets, and require connectivity to the internet.

In the future, Avatu may enable energy trading directly between Magic Boxes and controllers, leveraging our existing blockchain infrastructure and token economy to facilitate instant negotiation and payment settlement.



Token Economy

The Avatu token (\$AVATU token) is the native token of the Avatu platform. It powers the economics and incentive programs within the platform and is built on the ERC20 standard, enabling compatibility with the latest in DeFi exchanges and protocols. It is also compatible with all ERC20 capable wallets, greatly simplifying its ownership and fungibility.

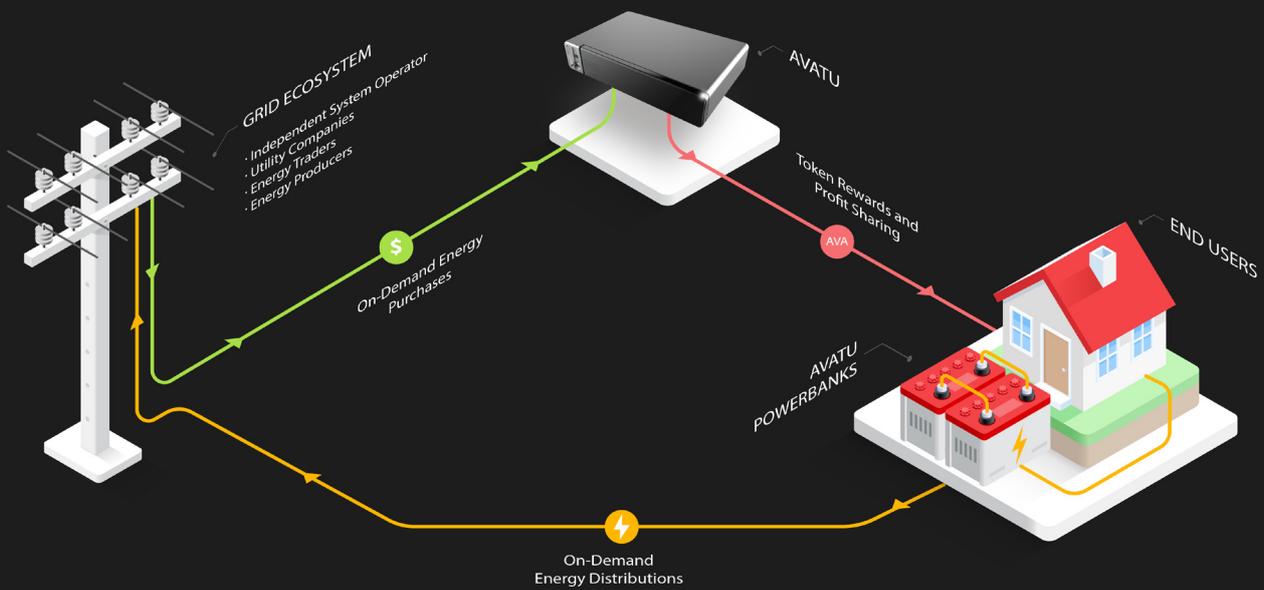
Initially held by the Avatu treasury, \$AVATU tokens are rewarded to owners of Magic Boxes, who have engaged in mining activities via a deployed Magic Box. Additional rewards are earned when the stored energy in the Magic Box is discharged into the grid.



Token Topology

Deployed Magic Boxes make up the Avatu Power Bank, underpinning a functional economic ecosystem that relies on the \$AVATU token to facilitate the transfer of value that results from usage of the Magic Box.

AVATU TOKEN TOPOLOGY



Participants in the grid ecosystem include independent system operators, utility companies, energy traders and energy producers, These participants will compete to purchase the right to utilize the stored energy from the Avatu Power Bank, made up of household-installed Magic Boxes, based on their energy demand requirements, typically during peak load times where purchases from energy providers are the most expensive. These purchases can occur on an ad hoc basis or through a bulk usage agreement with Avatu. Even if consumption of energy does not occur, Magic Boxes are monetized for simply being available.

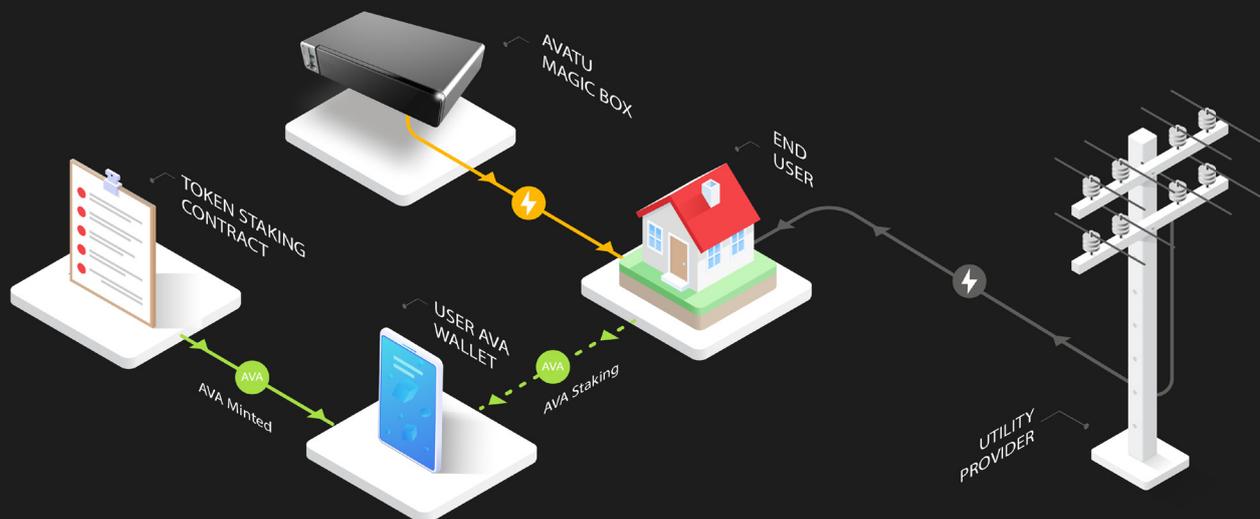
Avatu deposits these payments into its treasury and distributes the requisite amount of \$AVATU tokens, per the established algorithm, to the Magic Box owners, completing the cycle.

Resiliency

Magic Box owners can also utilize their devices towards energy resiliency needs, providing uninterrupted power to important household devices, such as critical network electronic devices. For example, the Magic Box can be configured to maintain 30% of its charge for backup reserves and only allocate 70% towards grid operator purchases. The Avatu platform will allow users to configure this based on a sliding scale, allowing up to 100% of the charge used exclusively for backup, in which case no rewards will be earned by the user, or 100% towards platform operations, ensuring the maximum amount of rewards.

Mining through Token Staking

AVATU TOKEN EARNING - STAKING



Avatu has created an incentive model for Magic Box owners who also possess \$AVATU tokens. During uptime periods, when the Magic Box is capable of deployment, \$AVATU token holders who stake their tokens in their \$AVATU platform wallet can mine additional \$AVATU tokens. The initial mining reward rate will be 100 \$AVATU tokens per connected day per 10,000 \$AVATU tokens held. A minimum of 10,000 \$AVATU tokens must be staked to be eligible for mining rewards. Tokens earned from staking will be minted by the staking contract increasing the number of tokens in circulation and thereby acting as an inflationary mechanism within the protocol.

Team+Advisors



Paul Angerame

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Marketing/Project Manager



Mathew Ahearn



Arthur Inuma



Anthony Castro



Steven Muzzo



Roadmap

Q4
2021

- Continue Fabrication of key MB components.
- Testing of MB in US

Q1-2
2022

- Complete prototype production model
- Hire Key Product manager
- Software and Cloud platform development
- Hire key consultants.
- Develop and deploy and update Discord channel for product information and updates.
- Marketing initiative
- Expand Social Media campaign

Q3
2022

- Hire Markets Analyst
- NFPA compliance
- UL Certification
- Begin Live Beta testing
- Begin Pre-order process.

Q4
2022

- Start production of the first 10,000 units
- Order fulfilment

Disclaimer

In consideration of Avatu (the “Company”) providing this Whitepaper to the recipient, the recipient acknowledges that the contents of this Whitepaper are confidential to the Company and the recipient agrees not to disclose, distribute or permit to be communicated verbally, directly or indirectly or otherwise, or to otherwise publish the contents of this Whitepaper except with the prior written consent of the Company. For the purposes of this acknowledgement “recipient” includes, without limitation, any principal, employee or agent of the recipient.

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This Whitepaper does not purport to contain all the information that a prospective participant may require. In all cases, interested parties should conduct their own investigation and analysis of the Company and the data contained in this Whitepaper.

The Company does not make any representation or warranty as to the accuracy or completeness of the information contained in this Whitepaper. Furthermore, the Company shall not have any liability to the recipient or any person resulting from the reliance upon this Whitepaper in determining to make an application to apply for shares in the Company.

The Company considers that the financial and non-financial information contained in this Whitepaper has been prepared to the best of its reasonable knowledge and ability. However, recipients must rely on their own investigation of all financial information and no representations or warranties are or will be made by the Company as to the accuracy or completeness of such information.

The Company makes no representation about the underlying value of the tokens on offer. Prospective participants must make their own assessment about whether the price of the tokens being offered represents fair value.

PARTICIPANT WARNING

Participation in a token sale carries high risks. It is highly speculative and before participating in any project about which information is given, prospective participants are strongly advised to seek appropriate professional advice;

The information contained in this Whitepaper has been prepared by or on behalf of the Company. Avatu has not undertaken an independent review of the information contained in this Whitepaper.

PROMINENT STATEMENTS

The information contained in this Whitepaper about the proposed business opportunity is not intended to be the only information on which a decision is to be made and is not a substitute for a disclosure document, or any other notice that may be required under law. Detailed information may be needed to make a token participation decision;

Prospective participants should be aware that no established market exists for the trading of any tokens that may be offered.

FUTURE STATEMENTS

Except for historical information, there may be matters in this Whitepaper that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Forward-looking statements, which are based on assumptions and estimates and describe the Company's future plans, strategies, and expectations are generally identifiable by the use of the words 'anticipate', 'will', 'believe', 'estimate', 'plan', 'expect', 'intend', 'seek', or similar expressions. Participants are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility those predictions, forecasts, projections and other forward-looking statements will not occur. Those risks and uncertainties include factors and risks specific to the industry in which the Company operates as well as general economic conditions. Actual performance or events may be materially different from those expressed or implied in those statements.

All forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the cautionary statements in this section. Except as expressly required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements provided in this Whitepaper whether as a result of new information, future events or otherwise, or the risks affecting this information.

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VALUE RISKS

Tokens issued by Avatu may drop substantially in value, or may remain illiquid for long periods of time or indefinitely. Avatu cannot guarantee an active secondary market for the exchange of tokens purchased in the token sale. Not all disclosures or statements are being made in this disclaimer section. Participants should review the token sale agreement in its entirety and seek the professional advice of legal counsel and investment professionals.

\$AVATU tokens may change in value based on a number of factors that are outside our control. There is no guarantee or expectation that \$AVATU tokens will increase in value, provide a return, or have sufficient adoption and liquidity on exchanges. Owning these tokens does not constitute a share of equity or ownership in the company. The token economy is new and exciting. Regulatory circumstances may require that token mechanics be changed or altered.

\$AVATU tokens do not have any rights, uses, purpose, attributes, functionalities or features, express or implied, including, without limitation, any uses, purpose, attributes, functionalities or features on the Avatu platform. Company does not guarantee and is not representing in any way to buyer that the \$AVATU tokens have any rights, uses, purpose, attributes, functionalities or features. \$AVATU tokens may have no value. The company reserves the right to refuse or cancel \$AVATU token purchase requests at any time at its sole discretion.

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