

**PAYWARD LTD**  
CRYPTO ASSET RISK DISCLOSURE  
Badger DAO (BADGER)

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#### **Disclaimer**

*Please note that this risk disclosure is not exhaustive of all risks associated with trading BADGER. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the [Risk Summary](#) for additional discussion of general risks associated with the assets made available in the platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.*

#### **What is Badger DAO and how does it work?**

Badger DAO is a decentralised autonomous organisation created in 2020 to make tokenised bitcoin usable throughout decentralised-finance (DeFi) ecosystems. The project's flagship Sett Vaults let users deposit synthetic BTC derivatives and related assets, so that smart-contracts can deploy them across partner protocols such as Yearn and Curve to generate yield. Depositors receive interest-bearing bTokens that track their share of the vault and can be rehypothecated elsewhere in DeFi.

A second product, DIGG, issues an elastic-supply token designed to track the USD price of one bitcoin. Smart-contracts “rebase” the circulating DIGG supply, expanding when the token trades above its BTC-peg and contracting when it trades below, while each holder's percentage ownership stays constant. Depositing DIGG into Setts earns additional yield.

BADGER itself is an ERC-20 governance and incentives token. Holders vote on Treasury proposals and receive protocol rewards, including boosted Sett yields, liquidity-mining incentives for BADGER-WBTC pools and DAO fee distributions. The project claims that keeping BADGER in one's wallet automatically increases the APY available in supported vaults. BADGER also serves as collateral within certain DeFi money-markets that list the token.

#### **Who is behind the project?**

Chris Spadafora serves as Head of Operations, while Ameer Rosic remains an Operations-team contributor. Albert Castellana and Alberto Cevallos act as advisers. Smart-contract development and

front-end maintenance are coordinated in open-source repositories via community workgroups, with additional engineering support from DAO tooling studio dOrg.

### **Tokenomics of BADGER**

The current circulating supply is around 20 million BADGER, while the total and maximum supply remain capped at 21 million. Badger DAO conducted a fair launch, no premine, venture allocation or private sale.

At genesis, the token allocation was as follows:

Category	Allocation
Builder community & DAO Treasury	90%
Founding team	10%
Total	100%

### **General Risks**

Like all other digital assets, there are some general risks to investing in BADGER. These include short history risk, volatility risk, liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

### **Risks specific to BADGER**

#### **Competition**

The Badger DAO network faces competition from other cryptocurrencies such as Yearn Finance, Convex Finance, and many others. Badger DAO's value derives from its broader adoption in the market. If the Badger DAO network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of BADGER.

#### **Developer Dependence**

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

## Due Diligence

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

- The creation, governance, usage and design of BADGER, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created BADGER;
- The supply, demand, maturity, utility and liquidity of BADGER;
- Material technical risks associated with BADGER, including any code defects, security breaches and other threats concerning BADGER and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with BADGER, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of BADGER, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to BADGER about whether BADGER, or generally about whether the type of crypto asset, is a security and/or derivative.

**Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong. [Take 2 mins to learn more.](#)**

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