PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Chutes (SN64)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading SN64. 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 Chutes and how does it work?

Chutes is a serverless AI compute platform built on Bittensor's Subnet 64. In its own materials, the project describes itself as infrastructure for deploying, scaling, and running open-source AI models in production, with support for inference, batch jobs, and secure compute features such as trusted execution environments. The documentation also says users can deploy AI applications with the Chutes SDK and API rather than managing GPU servers directly.

The token connected to this network is SN64, the subnet's alpha token. At the Bittensor level, subnet-specific alpha tokens are tied to subnet staking and emissions: Bittensor documentation says each subnet has its own TAO/alpha AMM, that staking is local to a subnet, and that staking TAO into a subnet results in receiving that subnet's alpha token. Taostats' subnet-emission documentation also says subnet owners, miners, and validators share subnet emissions under the Bittensor design.

Who is behind Chutes?

According to Chutes' own founder blog post, Chutes was founded by "a global, decentralized collective of engineers, researchers, and builders" operating under Chutes Global Corp, and the post says there is no CEO or central decision maker.

Tokenomics of SN64

Chutes' tokenomics mirror Bitcoin and its parent network Bittensor (TAO), with a 21 million maximum supply and the same halving schedule. The alpha token's price is determined by the ratio of TAO to alpha tokens in the subnet liquidity pool, while emissions — TAO flowing into that pool — are governed by net TAO inflows over time, smoothed via an exponential moving average (EMA).

Emissions are distributed as follows: 41% to stakers and validators, 41% to miners based on compute contributed and performance incentives, and 18% to the subnet owner, which is automatically routed into a smart contract vault and paid out to contracted development and operational partners.

General Risks

Like all other digital assets, there are some general risks to investing in SN64. 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 SN64

Competition
Chutes faces competition from other decentralised compute infrastructure projects such as Akash Network and Aethir. SN64's value derives from the project's broader adoption in the market. If Chutes fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of SN64.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on SN64 and determined that SN64 is unlikely to be a security or derivative under UK securities legislation. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of SN64, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created SN64;
- The supply, demand, maturity, utility and liquidity of SN64;
- Material technical risks associated with SN64, including any code defects, security breaches and other threats concerning SN64 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 SN64, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of SN64, 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 SN64 about whether SN64, or generally about whether the type of crypto asset, is a security and/or derivative.